Ministry of
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Economics

Ontario

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Public Accounts of Ontario

VOLUME 2

Financial Statements of Crown Corporations, Boards, Commissions

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MINISTERIAL RESPONSIBILITY FOR CROWN CORPORATIONS, BOARDS AND COMMISSIONS

- Minister of Agriculture and Food
  - The Crop Insurance Commission of Ontario
  - Farm Income Stabilization Commission of Ontario
  - The Ontario Junior Farmer Establishment Loan Corporation

- Attorney General
  - The Accountant of the Supreme Court of Ontario
  - The Public Trustee of the Province of Ontario

- Minister of Consumer and Commercial Relations
  - Liquor Control Board of Ontario

- Minister of Energy
  - Ontario Energy Corporation
  - Ontario Hydro

- Minister of the Environment
  - Ontario Waste Management Corporation

- Minister of Government Services
  - Ontario Mortgage Corporation

- Minister of Housing
  - Ontario Housing Corporation

- Minister of Industry, Trade and Technology
  - The Development Corporations (combined)
  - Ontario Development Corporation
  - Eastern Ontario Development Corporation
  - Northern Ontario Development Corporation
  - Innovation Ontario Corporation
  - Ontario Centre for Advanced Manufacturing
  - Ontario Centre for Resource Machinery Technology
  - Ontario International Corporation

- Minister of Labour
  - Workers' Compensation Board

- Minister of Natural Resources
  - Algonquin Forestry Authority

- Ministry of Northern Development and Mines
  - Ontario Northland Transportation Commission

- Minister of Tourism and Recreation
  - The Niagara Parks Commission
  - Ontario Lottery Corporation
  - Ontario Place Corporation

- Minister of Transportation
  - Ontario Transportation Development Corporation
  - Toronto Area Transit Operating Authority
  - Urban Transportation Development Corporation Ltd.

- Treasurer of Ontario
  - Stadium Corporation of Ontario Limited
  - The Ontario Municipal Improvement Corporation
  - Teachers' Superannuation Fund

A GUIDE TO PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 1989-90 Public Accounts of the Province of Ontario comprise three volumes:

Volume 1 contains the financial statements of the Province and schedules of supporting information.

Volume 2 contains the financial statements of selected provincial crown corporations, boards and commissions.

Volume 3 contains the details of expenditures.

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 1989 to March 31, 1990. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented alphabetically as shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

ACCOUNTANT OF THE SUPREME COURT OF ONTARIO

Balance Sheet
as at March 31, 1990

ASSETS

	1990 ($000's)	1989 ($000's)
Cash	1,464	1,995
Investments, at cost		
(market value $334,116; 1989 $296,200) (Schedule 1)	335,169	300,038
	336,633	302,033

LIABILITIES AND CAPITAL RESERVE ACCOUNT

	1990 ($000's)	1989 ($000's)
Liabilities		
Suits and matters (note 3)	306,775	273,469
Other	1,939	1,948
	308,714	275,417
Capital Reserve Account	27,919	26,616
	336,633	302,033

See accompanying schedule and notes to financial statements.

Approved:

CRHernandez

The Accountant of the Supreme Court of Ontario (Acting)

To the Accountant of the Supreme Court of Ontario and
to the Attorney General.

I have examined the balance sheet of the Accountant of the Supreme Court of Ontario as at March 31, 1990 and the statement of income and capital reserve account for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Accountant of the Supreme Court of Ontario as at March 31, 1990 and the results of operations for the year then ended in accordance with the accounting policies described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
July 19, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

ACCOUNTANT OF THE SUPREME COURT OF ONTARIO

Statement of Income and Capital Reserve Account for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
Income		
Interest	31,780	27,794
Expenditure		
Interest	30,155	22,988
Administrative		
Salaries and wages	297	292
Employee benefits	39	41
Transportation and communication	8	6
Services	102	108
Supplies and equipment	23	11
	30,624	23,446
Excess of income over expenditure	1,156	4,348
Capital Reserve Account, beginning of year	26,616	22,034
	27,772	26,382
Gain on sale of investments	147	234
Capital Reserve Account, end of year	27,919	26,616

SCHEDULE 1

Schedule of Investments March 31, 1990

	Par Value ($000's)	Cost ($000's)	Market Value ($000's)
Bonds			
Government of Canada	8,000	7,941	7,795
Province of Ontario	1,300	1,164	908
Ontario Hydro	44,938	43,777	39,750
Province of:			
British Columbia	5,000	5,016	4,778
Saskatchewan	1,150	1,151	1,076
Alberta	2,000	1,979	1,904
Manitoba	1,000	1,000	976
Nova Scotia	1,000	989	980
Other (note 4)	12,880	12,820	12,166
	77,268	75,837	70,333
Short-term investments (note 5)	281,672	259,332	263,783
	358,940	335,169	334,116

See accompanying schedule and notes to financial statements.

ACCOUNTANT OF THE SUPREME COURT OF ONTARIO

Notes to Financial Statements
March 31, 1990

1. GENERAL

The office of the Accountant of the Supreme Court of Ontario is the depository for all funds, mortgages and securities which are paid into the Supreme Court of Ontario. Such funds are received and disbursed or released pursuant to judgments and orders of the court, and in accordance with the Courts of Justice Act, 1984 and other relevant statutes.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared by management using the modified cash basis of accounting. Under this modified cash basis, income is recorded when received and expenditures are recorded when paid, except at the fiscal year end when an additional thirty days are allowed to record administrative expenditures pertaining to the fiscal year just ended.

(b) Investments

Funds are invested in income producing securities. The securities are recorded at cost, with gains and losses on the sale of investments recognized in the capital reserve account on a first-in first-out basis.

3. SUITS AND MATTERS

These accounts, vested in the Accountant, represent the undisbursed balances of funds paid into the Supreme Court of Ontario on behalf of minors and pursuant to judgments and orders under various statutes. In October 1989, the Accountant transferred $4 million to the Province. These funds had been unclaimed for more than 20 years. Transactions in these accounts during the year were:

	1990 ($000's)	1989 ($000's)
Balance, beginning of year	273,469	260,336
Funds paid in, including interest	127,861	95,614
Disbursements, including interest	(90,555)	(82,481)
Funds transferred to Province	(4,000)	
Balance, end of year	306,775	273,469

ACCOUNTANT OF THE SUPREME COURT OF ONTARIO

Notes to Financial Statements — Concluded
March 31, 1990

4. OTHER BONDS

Other bonds consist of securities issued by various provincial agencies, Canadian municipalities and chartered banks.

5. SHORT-TERM INVESTMENTS

Short-term investments include bonds, bank instruments and deposits maturing within one year.

6. MORTGAGES AND SECURITIES IN TRUST

The Accountant also acts as custodian of mortgages in the amount of $3,168,000 (1989 — $2,240,000) and miscellaneous securities and documents having a recorded value of $1,342,000 (1989 — $682,000). These amounts are not reflected in the financial statements.

7. PENSION PLAN

The Accountant of the Supreme Court of Ontario provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Accountant's share of contributions to the Fund during the year was $12,500 (1989 — $12,000) and is included in employee benefits in the Statement of Income and Capital Reserve Account. This amount includes current contributions and additional payments required to cover the Agency's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next forty years.

8. COMPARATIVE FIGURES

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

ALGONQUIN FORESTRY AUTHORITY

Balance Sheet
as at March 31, 1990

ASSETS

	1990 $	1989 $
Current		
Cash	93,678	116,137
Accounts receivable	1,614,283	1,409,409
Inventory	200,882	244,413
Prepaid expenses	4,409	4,332
	1,913,252	1,774,291
Fixed (note 3)	1,136,057	1,192,569
Deferred charge		22,622
	3,049,309	2,989,482

LIABILITIES AND RETAINED INCOME

	1990 $	1989 $
Current		
Accounts payable and accrued liabilities	306,295	337,588
Contractors' performance holdbacks	64,599	110,219
Loan, Province of Ontario	300,000	200,000
	670,894	647,807
Retained income	2,378,415	2,341,675
	3,049,309	2,989,482

See accompanying schedule and notes to financial statements.

Approved on behalf of the Board:

Director

Director

ALGONQUIN FORESTRY AUTHORITY

Statement of Operations and Retained Income
for the year ended March 31, 1990

	1990 $	1989 $
Revenue		
Product sales	9,240,958	9,771,348
Standing timber sales	549,762	812,415
Other	53,600	50,205
	9,844,320	10,633,968
Expenditure		
Logging and distribution costs	7,501,333	7,726,260
Crown timber stumpage charges	1,000,481	1,260,023
Road maintenance	135,706	83,680
Operations planning	25,095	61,235
Area charges	19,601	20,502
	8,682,216	9,151,700
Operating income	1,162,104	1,482,268
Administrative and other		
Salaries and benefits	705,891	642,292
Depreciation and amortization	244,978	234,400
Office supplies and expenses	72,518	80,165
Interest	49,171	56,859
Directors' allowances and expenses	28,323	28,311
Staff travel and training	28,077	19,655
Office rent	22,287	23,610
Insurance	15,186	15,931
Public relations	12,425	11,636
Miscellaneous	9,493	7,138
Bad debt expense		87,970
	1,188,349	1,209,967
Net income (loss) for the year	(26,245)	272,301
Operating retained income, beginning of year	1,763,990	1,491,689
Balance, end of year	1,737,745	1,763,990
Forest Management Undertaking Retained income, end of year (Schedule, note 2)	640,670	577,685
Retained income, end of year	2,378,415	2,341,675

See accompanying schedule and notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statement of Changes in Financial Position
for the year ended March 31, 1990

	1990 $	1989 $
Cash provided by (used in) operating activities		
Cash from operations		
Net (loss) income for the year		
Algonquin Forestry Authority	(26,245)	272,301
Forest Management Undertaking	62,985	7,664
Add (deduct): Non-cash items		
Depreciation and amortization	296,384	272,477
Gain on sale of fixed assets	(4,568)	(10,545)
	328,556	541,897
(Increase) decrease in non-cash working capital items	(138,333)	48,037
	190,223	589,934
Cash provided by (used in) investing activities		
Proceeds on sale of fixed assets	12,582	14,530
Acquisition of fixed assets	(225,264)	(478,655)
	(212,682)	(464,125)
Increase (Decrease) in cash	(22,459)	125,809
Cash (deficit), beginning of year	116,137	(9,672)
Cash, end of year	93,678	116,137

See accompanying schedule and notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

SCHEDULE

Forest Management Undertaking
for the year ended March 31, 1990

	1990 $	1989 $
Revenue (note 2)		
Forest management revenue	933,398	1,163,246
Stand and silvicultural improvements	561,743	491,798
Operating reimbursements	150,000	150,000
Other	65,900	65,414
	1,711,041	1,870,458
Expenditure		
Wages and benefits	407,755	474,463
Sub contractors — tree marking and other	228,780	289,601
Stand improvements	215,684	134,769
Equipment rentals	181,981	287,533
Materials	79,196	44,149
Salt and calcium	63,512	58,731
Paint	56,012	90,747
Vehicle costs	45,388	61,887
Board and provisions	16,243	21,939
	1,294,477	1,463,835
Operating Income	416,564	406,623
Administrative and other		
Salaries and benefits	256,498	291,285
Depreciation	51,406	38,077
Insurance	13,374	10,306
Office expenses	11,381	12,311
Office rent	8,808	9,434
Staff training	6,757	14,083
Staff travel and relocation	3,089	20,565
Public relations	2,176	310
Consulting		2,000
	353,579	398,959
Net income for the year	62,985	7,664
Retained income, beginning of year	577,685	570,021
Retained income, end of year	640,670	577,685

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements
March 31, 1990

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with generally accepted accounting principles, with the significant ones summarized below.

(a) Inventory

Inventory is valued on the first in, first out basis at the lower of cost or net realizable value.

(b) Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided for on a straight-line basis, using rates of 10% per annum for furniture, fixtures, technical equipment, bridges, and leasehold improvements, 20% per annum for data processing equipment and 33⅓% per annum for automotive equipment. The cost of capital roads is amortized over the estimated number of operating seasons for which the roads are to be used, with a maximum amortization period of ten years. Forest Management Undertaking (FMU) assets are depreciated and amortized at the same rates as the assets mentioned above.

(c) Deferred charge

Certain costs incurred in the development of a comprehensive forest management plan applicable to the period April 1, 1980 to March 31, 1990 were deferred and were amortized on a straight-line basis over 10 years.

2. FOREST MANAGEMENT UNDERTAKING

Effective April 1, 1983, the Authority undertook certain forest and land management activities formerly carried out by the Ministry of Natural Resources. Revenue for these activities is derived primarily from the retention of approximately 93% of the stumpage charges normally remitted to the Ministry (identified as forest management revenue) and from funds provided by the Ministry for stand and silvicultural improvements and operating reimbursements. These obligations are covered by an agreement with the Ministry which expires March 31, 2000.

3. FIXED ASSETS

	1990			1989
	Cost	Accumulated Depreciation and Amortization	Net	Net
	$	$	$	$
Furniture and fixtures	62,001	36,447	25,554	29,578
Data processing	72,013	53,153	18,860	22,971
Technical equipment	122,346	34,681	87,665	97,845
Automotive equipment	131,265	99,335	31,930	46,024
Bridges	14,137	14,137		
Capital roads	1,732,554	968,530	764,024	782,864
Leasehold improvements	25,951	5,187	20,764	23,359
FMU assets	289,825	102,565	187,260	189,928
	2,450,092	1,314,035	1,136,057	1,192,569

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements — Concluded
March 31, 1990

4. PENSION PLAN

The Authority provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Authority's share of contributions to the Fund during the year was $61,692 (1989-$54,363) and is included in salaries and benefits in the Statement of Operations and Retained Income. This amount includes current contributions and additional payments required to cover the Authority's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next 40 years.

5. REMUNERATION OF APPOINTEES

Total remuneration of the Board members of the Authority was $11,566 during the 1990 fiscal year. (1989-$10,160).

6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the 1990 presentation.

To the Members, Algonquin Forestry Authority, and
to the Minister of Natural Resources.

I have examined the balance sheet of the Algonquin Forestry Authority as at March 31, 1990 and the statements of operations and retained income and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, Ontario,
May 29, 1990.

THE CROP INSURANCE COMMISSION OF ONTARIO

Balance Sheet
as at March 31, 1990

ASSETS	1990 ($000)	1989 ($000)
Cash and short term investments	70,543	45,897
Accounts and premium subsidy receivable	927	695
	71,470	46,592

LIABILITIES AND SURPLUS		
Provision for payment of unsettled indemnities	1,278	1,344
Premiums collected in advance	446	360
Unearned premiums	4,502	4,146
Advances from the Ministry of Agriculture and Food	15	15
	6,241	5,865
Surplus	65,229	40,727
	71,470	46,592

See accompanying notes to financial statements.

On behalf of the Commission:

Gordon Hill
Chairman

Member

To The Crop Insurance Commission of Ontario and
to the Minister of Agriculture and Food.

I have examined the balance sheet of The Crop Insurance Commission of Ontario as at March 31, 1990 and the statements of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1990 and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
July 3, 1990.

D.F. Archer, F.C.A.,
Provincial Auditor.

THE CROP INSURANCE COMMISSION OF ONTARIO

Statement of Revenue and Expenditure
for the year ended March 31, 1990

	1990 ($000)	1989 ($000)
Revenue		
Crop Insurance Premiums:		
Premiums from insured producers	26,514	19,087
Premium subsidies from the Government of Canada (note 2)	16,514	19,087
Premium subsidies from the Province (note 2)	10,000	
	53,028	38,174
Interest income	8,430	6,488
Administrative expenses paid by Province (note 3)	6,858	4,636
	68,316	49,298
Expenditure		
Indemnities	36,907	55,661
Administrative expenses (note 3)	6,858	4,636
	43,765	60,297
Excess (Deficiency) of revenue over expenditure	24,551	(10,999)

Statement of Surplus
for the year ended March 31, 1990

	1990 ($000)	1989 ($000)
Balance, beginning of year	40,727	51,938
Adjustment to prior year's indemnity provision	(49)	(212)
	40,678	51,726
Excess (Deficiency) of revenue over expenditure	24,551	(10,999)
Balance, end of year	65,229	40,727

See accompanying notes to financial statements.

THE CROP INSURANCE COMMISSION OF ONTARIO

Notes to Financial Statements
March 31, 1990

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Commission's financial statements have been prepared by management using the accrual basis of accounting except for administrative expenses which are recorded on the cash basis, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended.

(b) Provisions for payment of unsettled indemnities

At the end of a fiscal year, the Commission estimates outstanding indemnities. In the subsequent year, any difference between the estimated and the actual indemnities is reflected in the statement of surplus and not in the statement of revenue and expenditure as the Commission feels the difference should not be reflected in the current year's operating results.

(c) Premiums collected in advance

Premiums collected in advance represent premiums received for the insurance of various crops where the deadline for applying for insurance coverage occurs after March 31, 1990. This insurance may be cancelled by the insured prior to the deadline date and premiums refunded.

(d) Unearned premiums

Unearned premiums represent premiums received for winter wheat and fruit crops. The harvesting of these crops and the payment of indemnities occurs subsequent to March 31, 1990. However, the deadline date for applying for insurance coverage occurs prior to year end, and accordingly, the insurance cannot be cancelled and no premiums will be refunded.

2. CANADA-ONTARIO PREMIUM SUBSIDIES

On March 30, 1990, the Province signed an agreement with the Federal Government requiring the Province to share in the costs of the Canadian Crop Drought Assistance Program. The Province must contribute to the Program, over a two year period, a sum equal to 25 per cent of the payments to Ontario farmers.

This agreement allows Canada to deduct, from its premium subsidies payable to the Commission, the Province's portion of the above costs. Accordingly, in the current year, Canada withheld $10 million from its premium subsidies, which was then paid by the Province.

3. ADMINISTRATIVE EXPENSES

Salaries, benefits and other administrative expenses of the Commission are absorbed by the Ministry of Agriculture and Food and are included in the statement of revenue and expenditure.

4. REMUNERATION OF APPOINTEES

Total remuneration of the members of the Commission was $36,739 during the 1990 fiscal year.

THE DEVELOPMENT CORPORATIONS

Combined Balance Sheet
as at March 31, 1990

	1990 ($000's)	1989 ($000's)
ASSETS		
Loans receivable	227,775	238,108
Equity and royalty investments	18,547	14,848
	246,322	252,956
Cash and short-term deposits	31,265	53,742
Accounts receivable	429	549
Investment in non-consolidated subsidiaries	15,275	22,491
Fixed assets — industrial parks	3,725	3,855
Other assets	316	828
Total assets	297,332	334,421
LIABILITIES		
Accounts payable	156	174
Commitments and contingencies (see note 14)		
INVESTMENT BY THE PROVINCE OF ONTARIO		
Share capital of Ontario Development Corporation	7,000	7,000
Contributed capital, net of distributions	270,236	269,746
Advances	182,502	179,016
Accumulated net cost of operations	(149,673)	(122,154)
Due to (from) Province	(12,889)	639
	297,176	334,247
Total liabilities and investment by the Province	297,332	334,421

See accompanying notes to combined financial statements.

Gordon H. Cowperthwaite
Chairman

Chairman

Roland A.
Chairman

Donald M. Green
Chairman

THE DEVELOPMENT CORPORATIONS

Combined Statement of Operations
for the year ended March 31, 1990

REVENUE	1990 ($000's)	1989 ($000's)
Interest on loans	16,103	17,659
Interest on short-term deposits	3,536	4,538
Net income from industrial parks	2,438	2,130
Gain on sale of land and buildings	2,246	
Gain on sale of investments	170	155
Other income	320	48
	24,813	24,530
EXPENSES		
Credit and investment losses		
Loans	11,083	13,870
Investments	2,913	1,092
Guarantees		
New Ventures program	11,677	8,035
Other	4,785	2,876
Interest subsidy payments	4,859	6,241
Technology royalty investments	766	1,821
Administration	14,013	13,349
	50,096	47,284
Net cost of operations before the following	25,283	22,754
Loss from non-consolidated subsidiaries	2,236	2,230
Net cost of operations	27,519	24,984

See accompanying notes to combined financial statements.

THE DEVELOPMENT CORPORATIONS

Combined Statement of Investment by the Province of Ontario for the year ended March 31, 1990

	ODC share capital ($000's)	Contributed capital ($000's)	Advances ($000's)	Accumulated net cost of operations ($000's)	Due to (from) Province ($000's)
Balance, April 1, 1989	7,000	269,746	179,016	(122,154)	639
Interest on advances		(10,356)	10,356		
Contributions to fund					
Investments of					
Innovation Ontario Corporation		5,536			
Technology royalty investments		766			
Other investments		1,860			
Guarantee and other program costs		13,036			
Administration		14,013			
Forgiveness of advances		13,635	(13,635)		
New advances, net of repayments			6,765		
Net cost of operations for the year				(27,519)	
Dividends paid		(38,000)			
Change in due from Province					(13,528)
Balance, March 31, 1990	7,000	270,236	182,502	(149,673)	(12,889)

See accompanying notes to combined financial statements.

THE DEVELOPMENT CORPORATIONS

Combined Statement of Cash Flows
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
LENDING, INVESTING AND FINANCIAL ASSISTANCE ACTIVITIES		
Loan disbursements, net of collections	(3,767)	(5,945)
Interest collected from borrowers	16,522	18,145
Disbursements for equity investments	(6,811)	(10,670)
Proceeds on sale of investments	407	544
Disbursements for guarantees honoured and guarantee interest subsidies	(23,623)	(17,152)
Technology royalty investments	(766)	(1,821)
Cash outflow for lending, investing and financial assistance activities	(18,038)	(16,899)
FINANCING ACTIVITIES		
Interest paid on Provincial advances	(13,339)	(10,186)
Net advances (repayment)	16,805	(15,051)
Cash contributions from the Province for:		
Equity investments and technology royalty investments	8,028	11,615
Lending activities	19,974	22,346
Administration	14,013	13,349
Dividends paid	(38,000)	(10,000)
Net receipts from (payments to) Province for:		
Other agency loans under administration	8	6,550
Recoveries from borrowers of loan writeoffs and guarantees honoured	(4,754)	(620)
Other	(2,384)	2,043
Cash inflow from financing activities	351	20,046
OPERATING ACTIVITIES		
Operating cash flow from industrial parks	3,828	3,621
Interest received on short-term deposits	3,600	4,304
Administration costs	(14,013)	(13,349)
Fixed asset additions	(1,304)	(1,172)
Proceeds on sale of assets	2,753	
Other	346	93
Cash outflow for operating activities	(4,790)	(6,503)
Decrease in cash and short-term deposits	(22,477)	(3,356)
Cash and short-term deposits, beginning of year	53,742	57,098
Cash and short-term deposits, end of period	31,265	53,742

See accompanying notes to combined financial statements.

THE DEVELOPMENT CORPORATIONS

Notes to Combined Financial Statements
March 31, 1990

1. GENERAL

These financial statements combine the accounts of Ontario Development Corporation ("ODC"), Northern Ontario Development Corporation ("NODC"), Eastern Ontario Development Corporation ("EODC") and Innovation Ontario Corporation ("IOC"). The Corporations are incorporated under the Development Corporations Act and, except for ODC, are corporations without share capital. The Corporations are exempt from income taxes.

The Corporations' objectives are to encourage and assist in the development and diversification of industry in Ontario. The Corporations provide financial assistance by making loans, guaranteeing loans, acquiring equity securities and operating industrial park facilities. They also administer certain activities on behalf of other Provincial ministries and agencies (see Note 13).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Loans receivable

Loans receivable are reported at the amount disbursed plus accrued interest, less principal repayments and amounts written off. No provision is made for doubtful loans in advance of a loan being written off.

Loans receivable include both loans made directly by the Corporations and loans administered for other Provincial ministries and agencies if ODC is a signatory to the loan agreement.

Loan losses in the Combined Statement of Operations are net of recoveries on loans previously written off.

(b) Equity and royalty investments

Equity investments are recorded at cost less provision for losses for those investments that in management's opinion have suffered an other than temporary decline in value. The provision is determined by management based upon their best estimates from the most current information available to them. Royalty investments are recorded at a nominal value to reflect the conversion of technology royalty investments to equity (see Note (i)). Due to the nature of the investments, there is no quoted market value and the carrying value may not be equal to the realizable value.

(c) Revenue recognition

Interest income is recognized on the accrual basis, except for certain loans administered by the Corporations that permit the borrower to defer interest payments. For those interest-deferred loans, interest that accrues during the deferred payment period is recognized in income only when received.

(d) Guarantees

Guarantee expenses are recognized at the date the Corporations are requested to honour a guarantee. No provision for anticipated guarantee losses is recorded in advance of requests to honour a guarantee. Losses in the Combined Statement of Operations are net of amounts recovered from customers.

(e) Fixed assets

Industrial Parks

Fixed asset additions since the date the industrial parks were acquired by the Province have been capitalized. Buildings and improvements are depreciated on a straight-line basis using rates that range from five to twenty per cent per annum. Equipment is depreciated on a straight-line basis over five years.

Other

Fixed assets for the Corporations' own use other than industrial park assets are expensed on acquisition and are included in administration expenses.

(f) Non-consolidated subsidiaries

The investment in three wholly-owned subsidiaries of ODC are accounted for by the equity method because of ODC's formal plan to dispose of the assets of those subsidiaries. (See Note 7).

(g) Administration expenses

Administration expenses are reflected on a cash basis which is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended.

(h) Transactions with the Province

Contributions from the Province to fund equity investments, loan and other program losses, and administration costs are credited to contributed capital.

Advances from the Province of Ontario are recorded at amounts originally received plus accrued interest, less amounts repaid and amounts that are forgiven as a result of the related loan receivable being written off. Interest on advances is considered to be a distribution from equity and is charged to contributed capital.

(i) Technology royalty investments

The costs of funding certain private sector technology royalty investments are expensed as incurred.

THE DEVELOPMENT CORPORATIONS

Notes to Combined Financial Statements — Continued
March 31, 1990

3. CHANGES IN ACCOUNTING POLICIES

(a) In fiscal 1990, the Corporations changed the accounting for transactions with the Province to the policy described in Note 2(h). Under the previous policy, Provincial contributions related to administration expenses, guarantee losses and other program costs were included as a reduction of expenses in the Combined Statement of Operations. Interest on advances and agency loan interest to be returned to the Province were reported as expenses.

Under the new policy, all of these items are excluded from the Combined Statement of Operations and are included in a new statement, the Combined Statement of Investment by the Province of Ontario. This change has been applied retroactively and the 1989 financial statements restated accordingly.

The effects of this accounting change are as follows:

	As originally reported ($000's)	As restated ($000's)
Contributed capital, April 1, 1989	48,422	269,746
Accumulated net cost of operations, April 1, 1989 (previously retained earnings)	79,453	(122,154)

As a result of this change, 1990 net cost of operations is $36.3 million (1989 — $31.2 million) higher than it would have been under the former policy.

(b) The Corporations have also changed, effective April 1, 1989, the accounting policy for amounts recovered on loans written off or guarantees honoured in past periods. Under the new policy, amounts recovered are included in the Combined Statement of Operations as a reduction of losses on loans and guarantees. Previously, such amounts were excluded from the Combined Statement of Operations. As a result of this change, the net cost of operations for 1990 is $7.3 million lower than it would have been under the former policy.

4. LOANS RECEIVABLE

Loans receivable include $70.7 million (1989 — $87.7 million) of loans administered on behalf of other Provincial agencies and ministries.

As at March 31, 1990, 6.8% of total loans receivable are floating-rate loans, and the balance bear fixed rates ranging from 6% to 16.5%. The weighted average interest rate on all loans was 10.6% at March 31, 1990.

The amounts of loans on which payments were past due by more than 90 days was $23.1 million.

5. EQUITY AND ROYALTY INVESTMENTS

	Number of Investees	1990 ($000's)	1989 ($000's)
Common shares	128	17,697	14,498
Preferred shares	4	850	350
Royalty interests	56		
	188	18,547	14,848

THE DEVELOPMENT CORPORATIONS

Notes to Combined Financial Statements — Continued
March 31, 1990

6. INDUSTRIAL PARK OPERATIONS

ODC owns and operates Huron Industrial Park, located near London, Ontario, and Northam Industrial Park in Cobourg, Ontario.

Results of operations of the parks:

	1990 ($000's)	1989 ($000's)
Rental revenue	4,049	4,161
Interest income	1,313	1,122
Depreciation	(1,434)	(1,332)
Other operating expenses	(1,490)	(1,821)
Net income	2,438	2,130

Fixed assets of the industrial parks:

	Cost ($000's)	Accumulated Depreciation ($000's)	1990 Net ($000's)	1989 Net ($000's)
Land	341		341	341
Buildings and improvements	16,226	13,050	3,176	3,248
Equipment	1,304	1,096	208	266
	17,871	14,146	3,725	3,855

7. INVESTMENT IN NON-CONSOLIDATED SUBSIDIARIES

IDEA Innovation Fund Inc., IDEA Research Investment Fund Inc. and IDEA Information Technology Fund Inc., which are wholly-owned by ODC, are accounted for by the equity method (Note 2(f)). Summarized combined information about the financial position and results of operations of these subsidiaries is provided below:

Financial Position, as at March 31

	1990 ($000's)	1989 ($000's)
Cash	3,464	8,804
Investments	11,845	13,673
Other assets (liabilities)	(34)	14
	15,275	22,491
Represented by:		
Advances from ODC	29,899	34,879
Capital stock	13,000	13,000
Deficit	(27,624)	(25,388)
	15,275	22,491

During the year, the subsidiaries paid $5 million against the outstanding advances. The Advances from ODC are non-interest bearing.

Results of Operations, year ended March 31

	1990 ($000's)	1989 ($000's)
Gain on sale of investments	157	500
Interest and other income	53	39
	210	539
Loss on investments	2,226	2,017
Other expenses	220	752
	2,446	2,769
Net loss for the year	2,236	2,230

THE DEVELOPMENT CORPORATIONS

Notes to Combined Financial Statements — Continued
March 31, 1990

8. OTHER ASSETS

	1990 ($000's)	1989 ($000's)
Sheridan Park land	62	233
Assets acquired through loan foreclosure (at amounts that do not exceed estimated realizable value)		
Shares	250	250
Other	4	345
	316	828

9. GUARANTEES

The Development Corporations guarantee the repayment of certain loans made by private sector financial institutions to qualifying Ontario businesses. ODC also guarantees certain obligations of the Ontario Share and Deposit Insurance Corporation. No guarantee fees are charged to the borrowers or to the Province.

Under certain guarantee programs, The Development Corporations guarantee only a portion of loans outstanding. At March 31, 1990, the Corporations' maximum contingent liability under guarantees amounted to $272.2 million (1989 — $236.1 million).

10. ADVANCES

Advances from the Province are used to fund loans. The advances have no fixed maturity dates and are forgiven by the Province if the related loan receivable proves uncollectable.

At March 31, 1990, $99.9 million (1989 — $97.6 million) of advances were interest bearing, with the balance of $82.6 million (1989 — $81.4 million) being interest free.

11. CREDIT AND INVESTMENT LOSSES

Credit and investment losses shown in the Combined Statement of Operations are net of recoveries as follows:

	Loans ($000's)	New Ventures Guarantees ($000's)	Other Guarantees ($000's)	Investments ($000's)
Writedowns/guarantees honoured	15,646	12,817	5,947	2,913
Less recoveries	(4,563)	(1,140)	(1,162)	
Net expense — 1990	11,083	11,677	4,785	2,913
— 1989	13,870	8,035	2,876	1,092

12. ADMINISTRATION

	1990 ($000's)	1989 ($000's)
Salaries and benefits	8,663	8,148
Transportation and communication	944	1,014
Services	2,976	2,380
Supplies and equipment	1,253	1,623
Other expenses	177	184
	14,013	13,349

The Corporations provide pension benefits for all their permanent staff through participation in the Public Service Pension Fund, established by the Province of Ontario. The Corporations' share of contributions to the Fund during the year was $513,600 (1989 — $425,700) and is included in salaries and benefits. This amount includes current contributions and additional payments required to cover the Corporations' share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next forty years.

The Corporations had fifty eight members of the Boards of Directors on March 31, 1990. Their remuneration for 1990 totalled $237,327 (1989 — $168,400).

THE DEVELOPMENT CORPORATIONS

Notes to Combined Financial Statements — Concluded
March 31, 1990

13. ACTIVITIES ADMINISTERED BY THE DEVELOPMENT CORPORATIONS

The Development Corporations are responsible for a wide variety of activities, including activities managed on behalf of other ministries and agencies of the Province of Ontario. The Schedule of Activities Administered, Schedule 1, summarizes the activities administered at March 31, 1990, other than industrial park operations (Note 6 provides information about the industrial parks).

The Schedule of Activities Administered includes loans, debentures and equity investments that are included in the Combined Balance Sheet. The schedule also includes loans guaranteed by the Corporations, as well as certain loans, equity investments and repayable grants administered for other ministries and agencies. These additional activities are not included in the Combined Balance Sheet.

The total activity amounts included in the schedule differ from amounts reported in the Combined Balance Sheet as follows:

As at March 31	1990 ($000's)	1989 ($000's)
Loans and investments per combined balance sheet		
Loans receivable	227,775	238,108
Equity investments	18,547	14,848
Investment in non-consolidated subsidiaries	15,275	22,491
Total loans and investments per combined balance sheet	261,597	275,447
Other activities administered		
Loans of other ministries and agencies	183,775	172,219
Loans guaranteed	370,462	303,561
Repayable grants/conditional loans	121,732	132,901
Investment in Varity Corporation	16,900	16,900
Assets of non-consolidated subsidiaries other than investments and loans	(3,430)	(8,818)
Total other activities administered	689,439	616,763
Total activities per Schedule of Activities Administered	951,036	892,210

Under certain guarantee programs, The Development Corporations guarantee only a portion of outstanding loans. Guaranteed loans disclosed above and in the Schedule of Activities Administered represent the total loans outstanding, which exceed The Development Corporations' contingent liability under guarantees (see Note 9).

14. COMMITMENTS AND CONTINGENCIES

(a) See Note 9 for information on guarantees.

(b) Commitments at March 31, 1990 to make loans and investments and to provide guarantees are disclosed at the foot of the Schedule of Activities Administered.

(c) A legal action claiming damages of $4 million plus interest, which had been instituted against the Corporations and others by a former shareholder of Minaki Lodge Resort Ltd. and Minaki Development Company Limited, was dismissed by the Court. However, the plaintiff has appealed the dismissal.

THE DEVELOPMENT CORPORATIONS

Combined Financial Statements
for the year ended March 31, 1990

To the Ontario Development Corporation, Northern Ontario Development Corporation,
Eastern Ontario Development Corporation, Innovation Ontario Corporation,
and to the Minister of Industry, Trade and Technology.

I have examined the combined balance sheet of The Development Corporations consisting of Ontario Development Corporation, Northern Ontario Development Corporation, Eastern Ontario Development Corporation and Innovation Ontario Corporation as at March 31, 1990 and the combined statements of operations, investment by the Province of Ontario and cash flows for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these combined financial statements present fairly the financial position of The Development Corporations as at March 31, 1990 and the results of their operations and the changes in their financial position for the year then ended in accordance with the accounting policies described in note 2 to the financial statements. Further, in my opinion, such policies have been applied, after giving retroactive effect to the changes in the method of accounting for transactions with the Province of Ontario and except for the change in accounting for amounts recovered on loans written off or guarantees honoured as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

D.F. Archer

Toronto, Ontario,
July 13, 1990.

D.F. Archer, F.C.A.,
Provincial Auditor.

THE DEVELOPMENT CORPORATIONS

SCHEDULE 1. Activities Administered by The Development Corporations

as at March 31, 1990

	Loans and Debentures		Loans Guaranteed		Equity Investments/ Royalty Interests		Repayable Grants/ Conditional Loans		Total 1989/90	Total March 31/89
	Number	($000's)	Number	($000's)	Number	($000's)	Number	($000's)	($000's)	($000's)
Business Sector/Program										
Manufacturing	793	102,390	97	45,909	1	16,900	149	105,805	271,004	278,443
High Technology					149	29,882			29,882	27,742
Export	111	23,520							23,520	25,835
Tourism	588	47,436	257	72,798			1	4,500	124,734	138,317
Special Agency Programs:										
MITT	174	213,900							213,900	220,801
New Ventures			11,068	160,509					160,509	112,676
Credit Unions (deposit insurance)			1	91,250					91,250	64,560
Other	117	24,810					281	11,427	36,237	23,836
Total Outstanding at March 31, 1990	1,783	412,056	11,423	370,466	150	46,782	431	121,732	951,036	892,210
Corporation										
Ontario Development Corporation (excl. Special Agency Programs)	670	87,779	180	52,791	18	34,506	36	106,717	281,793	293,106
Northern Ontario Development Corporation	505	65,572	83	39,048			366	13,896	118,516	116,224
Eastern Ontario Development Corporation	429	44,597	91	26,868			29	1,119	72,584	73,968
Innovation Ontario Corporation	5	208			132	12,276			12,484	10,875
Ontario Development Corporation (Special Agency Programs)	174	213,900	11,069	251,759					465,659	398,037
Total Outstanding at March 31, 1990	1,783	412,056	11,423	370,466	150	46,782	431	121,732	951,036	892,210
Total Outstanding at March 31, 1989	1,932	411,106	8,815	303,561	125	44,642	512	132,901		892,210
Commitments at March 31, 1990	326	55,809	1,474	40,659	21	2,085			98,553	129,725

ONTARIO DEVELOPMENT CORPORATION

Balance Sheet
as at March 31, 1990

ASSETS	1990 ($000's)	1989 ($000's)
Loans receivable	117,398	130,657
Equity investments	6,271	4,411
	123,669	135,068
Cash and short-term deposits	16,338	48,857
Accounts receivable		
— Northern Ontario Development Corporation	4,776	2,828
— Eastern Ontario Development Corporation	727	1,273
— Other	313	526
Investment in non-consolidated subsidiaries	15,275	22,491
Fixed assets — industrial parks	3,725	3,855
Other assets	62	233
Total assets	164,885	215,131
LIABILITIES		
Accounts payable	113	125
Commitments and contingencies (see note 13)		
INVESTMENT BY THE PROVINCE OF ONTARIO		
Share capital of Ontario Development Corporation	7,000	7,000
Contributed capital, net of distributions	213,035	228,081
Advances	78,429	88,853
Accumulated net cost of operations	(127,066)	(110,437)
Due to (from) Province	(6,626)	1,509
	164,772	215,006
Total liabilities and investment by the Province	164,885	215,131

See accompanying notes to financial statements.

Gordon H. Cowperthwaite
Chairman

Director

To the Ontario Development Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of the Ontario Development Corporation as at March 31, 1990 and the statements of operations, investment by the Province of Ontario and cash flows for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies described in note 2 to the financial statements. Further, in my opinion, such policies have been applied, after giving retroactive effect to the changes in the method of accounting for transactions with the Province of Ontario and except for the change in accounting for amounts recovered on loans written off or guarantees honoured as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Ontario,
July 13, 1990.

D.F. Archer, F.C.A.,
Provincial Auditor.

ONTARIO DEVELOPMENT CORPORATION

Statement of Operations
for the year ended March 31, 1990

REVENUE

	1990 ($000's)	1989 ($000's)
Interest on loans	10,749	11,837
Net income from industrial parks	2,438	2,130
Gain on sale of land/buildings	2,246	
Interest on short-term deposits	2,208	3,549
Other income	69	
	17,710	17,516

EXPENSES

	1990 ($000's)	1989 ($000's)
Credit and investment losses		
Loans	6,820	8,198
Guarantees		
New Ventures program	11,677	8,035
Other	1,569	1,202
Interest subsidy payments	1,882	2,530
Administration	10,155	9,608
	32,103	29,573
Net cost of operations before the following	14,393	12,057
Loss from non-consolidated subsidiaries	2,236	2,230
Net cost of operations	16,629	14,287

Statement of Investment by the Province of Ontario
for the year ended March 31, 1990

	ODC share capital ($000's)	Contributed capital ($000's)	Advances ($000's)	Accumulated net cost of operations ($000's)	Due to (from) Province ($000's)
Balance, April 1, 1989	7,000	228,081	88,853	(110,437)	1,509
Interest on advances		(2,618)	2,618		
Contribution to fund					
Investments		1,860			
Guarantee and other program costs		5,102			
Administration		10,155			
Forgiveness of advances		8,455	(8,455)		
New advances, net of repayments			(4,587)		
Net cost of operations for the year				(16,629)	
Dividends paid		(38,000)			
Change in due to Province					(8,135)
Balance, March 31, 1990	7,000	213,035	78,429	(127,066)	(6,626)

See accompanying notes to financial statements.

ONTARIO DEVELOPMENT CORPORATION

Statement of Cash Flows
for the year ended March 31, 1990

LENDING, INVESTING AND FINANCIAL ASSISTANCE ACTIVITIES

	1990 ($000's)	1989 ($000's)
Loan disbursements, net of collections	4,790	5,702
Interest collected from borrowers	11,013	12,324
Disbursements for equity investments	(1,860)	(4,410)
Disbursements for guarantees honoured and guarantee interest subsidies	(17,368)	(11,767)
Cash inflow (outflow) for lending, investing and financial assistance activities	(3,425)	1,849

FINANCING ACTIVITIES

Interest paid on Provincial advances	(2,798)	(3,661)
Net repayment	(1,027)	(23,808)
Cash contributions from the Province for:		
Equity investments	1,770	4,240
Lending activities	11,090	15,296
Administration	10,155	9,608
Dividends paid	(38,000)	(10,000)
Net receipts from (payments to) Province for:		
Other agency loans under administration	1,125	7,229
Recoveries from borrowers of loan writeoffs and guarantees honoured	(3,541)	(1,011)
Other	(3,753)	137
Cash outflow from financing activities	(24,979)	(1,970)

OPERATING ACTIVITIES

Operating cash flow from industrial parks	3,828	3,621
Interest received on short-term deposits	2,366	3,315
Administration costs	(10,155)	(9,608)
Fixed asset additions	(1,304)	(1,172)
Proceeds on sale of assets	2,417	
Other	(1,267)	27
Cash outflow for operating activities	(4,115)	(3,817)
Decrease in cash and short-term deposits	(32,519)	(3,938)
Cash and short-term deposits, beginning of year	48,857	52,795
Cash and short-term deposits, end of year	16,338	48,857

See accompanying notes to financial statements.

ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1990

1. GENERAL

The Ontario Development Corporation was incorporated under the Development Corporations Act. The Corporation is exempt from income taxes.

The Corporation's objectives are to encourage and assist in the development and diversification of industry in Ontario. The Corporation provides financial assistance by making loans, guaranteeing loans, acquiring equity securities and operating industrial park facilities. It also administers certain activities on behalf of other Provincial ministries and agencies.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Loans receivable

Loans receivable are reported at the amount disbursed plus accrued interest, less principal repayments and amounts written off. No provision is made for doubtful loans in advance of a loan being written off.

Loans receivable include both loans made directly by the Corporation and loans administered for other Provincial ministries and agencies if ODC is a signatory to the loan agreement.

Loan losses in the Statement of Operations are net of recoveries on loans previously written off.

(b) Equity investments

Equity investments are recorded at cost less provision for losses for those investments that in management's opinion have suffered an other than temporary decline in value. There is no quoted market value and the carrying value may not be equal to the realizable value.

(c) Revenue recognition

Interest income is recognized on the accrual basis, except for certain loans administered by the Corporation that permit the borrower to defer interest payments. For those interest-deferred loans, interest that accrues during the deferred payment period is recognized in income only when received.

(d) Guarantees

Guarantee expenses are recognized at the date the Corporation is requested to honour a guarantee. No provision for anticipated guarantee losses is recorded in advance of requests to honour a guarantee. Losses in the Statement of Operations are net of amounts recovered from customers.

(e) Fixed assets

Industrial Parks

Fixed asset additions since the date the industrial parks were acquired by the Province have been capitalized. Buildings and improvements are depreciated on a straight-line basis using rates that range from five to twenty per cent per annum. Equipment is depreciated on a straight-line basis over five years.

Other

Fixed assets for the Corporation's own use other than industrial park assets are expensed on acquisition and are included in administration expenses.

(f) Non-consolidated subsidiaries

The investment in three wholly-owned subsidiaries are accounted for by the equity method because of the Corporation's formal plan to dispose of the assets of those subsidiaries. (See Note 7).

(g) Administration expenses

Administration expenses are reflected on a cash basis which is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended.

(h) Transactions with the Province

Contributions from the Province to fund equity investments, loan and other program losses, and administration costs are credited to contributed capital.

Advances from the Province of Ontario are recorded at amounts originally received plus accrued interest, less amounts repaid and amounts that are forgiven as a result of the related loan receivable being written off. Interest on advances is considered to be a distribution from equity and is charged to contributed capital.

ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements—Continued
March 31, 1990

3. CHANGES IN ACCOUNTING POLICIES

(a) In fiscal 1990, the Corporation changed the accounting for transactions with the Province to the policy described in Note 2(h). Under the previous policy, Provincial contributions related to administration expenses, guarantee losses and other program costs were included as a reduction of expenses in the Statement of Operations. Interest on advances and agency loan interest to be returned to the Province were reported as expenses.

Under the new policy, all of these items are excluded from the Statement of Operations and are included in a new statement, the Statement of Investment by the Province of Ontario. This change has been applied retroactively and the 1989 financial statements restated accordingly.

The effects of this accounting change are as follows:

	As originally reported ($000's)	As restated ($000's)
Contributed capital, April 1, 1989	33,016	228,081
Accumulated net cost of operations, April 1, 1989 (previously retained earnings)	65,264	(110,437)

As a result of this change, 1990 net cost of operations is $27.1 million (1989 — $21.4 million) higher than it would have been under the former policy.

(b) The Corporation has also changed, effective April 1, 1989, the accounting policy for amounts recovered on loans written off or guarantees honoured in past periods. Under the new policy, amounts recovered are included in the Statement of Operations as a reduction of losses on loans and guarantees. Previously, such amounts were excluded from the Statement of Operations. As a result of this change, the net cost of operations for 1990 is $5.3 million lower than it would have been under the former policy.

4. LOANS RECEIVABLE

Loans receivable include $48.3 million (1989 — $67.4 million) of loans administered on behalf of other Provincial agencies and ministries.

As at March 31, 1990, 14.3% of total loans receivable are floating-rate loans, and the balance bear fixed rates ranging from 6% to 16.5%. The weighted average interest rate on all loans was 11% at March 31, 1990.

The amounts of loans on which payments were past due by more than 90 days was $14.4 million.

5. EQUITY INVESTMENTS

			1990 ($000's)	1989 ($000's)
ADI Diagnostics Inc.	310,000	Common	3,100	3,100
Allelix Crop Technologies Holdings Inc.	168,671	Common A	1	1
(formerly 160596 Canada Inc.)	261,000	Common B	2,610	850
Allelix Biopharmaceuticals Inc. (formerly Allelix Inc.)	138,440	Common A		
	70,000	Common B	560	460
			6,271	4,411

ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements—Continued
March 31, 1990

6. INDUSTRIAL PARK OPERATIONS

The Corporation owns and operates Huron Industrial Park, located near London, Ontario, and Northam Industrial Park in Cobourg, Ontario.

Results of operations of the parks:

	1990 ($000's)	1989 ($000's)
Rental revenue	4,049	4,161
Interest income	1,313	1,122
Depreciation	(1,434)	(1,332)
Other operating expenses	(1,490)	(1,821)
Net income	2,438	2,130

Fixed assets of the industrial parks:

	Cost ($000's)	Accumulated Depreciation ($000's)	1990 Net ($000's)	1989 Net ($000's)
Land	341	—	341	341
Buildings and improvements	16,226	13,050	3,176	3,248
Equipment	1,304	1,096	208	266
	17,871	14,146	3,725	3,855

7. INVESTMENT IN NON-CONSOLIDATED SUBSIDIARIES

IDEA Innovation Fund Inc., IDEA Research Investment Fund Inc. and IDEA Information Technology Fund Inc., which are wholly-owned by ODC, are accounted for by the equity method (Note 2(f)). Summarized combined information about the financial position and results of operations of these subsidiaries is provided below:

Financial Position, as at March 31

	1990 ($000's)	1989 ($000's)
Cash	3,464	8,804
Investments	11,845	13,673
Other assets (liabilities)	(34)	14
	15,275	22,491
Represented by:		
Advances from ODC	29,899	34,879
Capital stock	13,000	13,000
Deficit	(27,624)	(25,388)
	15,275	22,491

During the year, the subsidiaries paid $5 million against the outstanding advances. The Advances from ODC are non-interest bearing.

Results of Operations, year ended March 31

	1990 ($000's)	1989 ($000's)
Gain on sale of investments	157	500
Interest and other income	53	39
	210	539
Loss on investments	2,226	2,017
Other expenses	220	752
	2,446	2,769
Net loss for the year	2,236	2,230

ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements—Continued
March 31, 1990

8. OTHER ASSETS

	1990 ($000's)	1989 ($000's)
Sheridan Park land	62	233

9. GUARANTEES

The Corporation guarantees the repayment of certain loans made by private sector financial institutions to qualifying Ontario businesses. ODC also guarantees certain obligations of the Ontario Share and Deposit Insurance Corporation. No guarantee fees are charged to the borrowers or to the Province.

Under certain guarantee programs, ODC guarantees only a portion of loans outstanding. At March 31, 1990, the Corporation's maximum contingent liability under guarantees amounted to $210.5 million (1989 — $173.4 million).

10. ADVANCES

Advances from the Province are used to fund loans. The advances have no fixed maturity dates and are forgiven by the Province if the related loan receivable proves uncollectable.

At March 31, 1990, $24.7 million (1989 — $24.4 million) of advances were interest bearing, with the balance of $53.7 million (1989 — $64.5 million) being interest free.

11. CREDIT AND INVESTMENT LOSSES

Credit and investment losses shown in the Statement of Operations are net of recoveries as follows:

	Loans ($000's)	New Ventures Guarantees ($000's)	Other Guarantees ($000's)
Writedowns/guarantees honoured	9,443	12,817	2,669
Less recoveries	(2,623)	(1,140)	(1,100)
Net expense — 1990	6,820	11,677	1,569
— 1989	8,198	8,035	1,202

12. ADMINISTRATION

	1990 ($000's)	1989 ($000's)
Salaries and benefits	6,277	5,710
Transportation and communication	453	494
Services	2,218	1,735
Supplies and equipment	1,030	1,491
Other expenses	177	178
	10,155	9,608

The Corporation provides pension benefits for all its permanent staff through participation in the Public Service Pension Fund, established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was $376,900 (1989 — $301,300) and is included in salaries and benefits. This amount includes current contributions and additional payments required to cover the Corporation's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next forty years.

The Corporation had sixteen members of the Board of Directors on March 31, 1990. Their remuneration for 1990 totalled $85,702 (1989 — $63,800).

ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements—Concluded
March 31, 1990

13. COMMITMENTS AND CONTINGENCIES

(a) See Note 9 for information on guarantees.

(b) Funds committed but not disbursed as at March 31, 1990 amounted to:

	1990 ($000's)	1989 ($000's)
Loans	39,509	40,200
Investments	1,390	3,300
	40,899	43,500

(c) A legal action claiming damages of $4 million plus interest, which had been instituted against the Corporation and others by a former shareholder of Minaki Lodge Resort Ltd. and Minaki Development Company Limited, was dismissed by the Court. However, the plaintiff has appealed the dismissal.

EASTERN ONTARIO DEVELOPMENT CORPORATION

Balance Sheet
as at March 31, 1990

ASSETS	1990 ($000's)	1989 ($000's)
Loans receivable	44,597	45,225
Cash and short-term deposits	3,580	2,995
Accounts receivable	38	
Total assets	48,215	48,220
LIABILITIES		
Accounts payable		
— Ontario Development Corporation	727	1,273
— Other	43	43
	770	1,316
Commitments and contingencies (see Note 9)		
INVESTMENT BY THE PROVINCE OF ONTARIO		
Contributed capital, net of distributions	11,629	8,017
Advances	38,611	34,628
Accumulated net income from operations	165	2,661
Due to (from) Province	(2,960)	1,598
	47,445	46,904
Total liabilities and investment by the Province	48,215	48,220

See accompanying notes to financial statements.

Chairman

Director

To the Eastern Ontario Development Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of the Eastern Ontario Development Corporation as at March 31, 1990 and the statements of operations, investment by the Province of Ontario and cash flows for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies described in note 2 to the financial statements. Further, in my opinion, such policies have been applied, after giving retroactive effect to the changes in the method of accounting for transactions with the Province of Ontario and except for the change in accounting for amounts recovered on loans written off or guarantees honoured as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

D.F. Archer

Toronto, Ontario,
July 13, 1990.

D.F. Archer, F.C.A.,
Provincial Auditor.

EASTERN ONTARIO DEVELOPMENT CORPORATION

Statement of Operations
for the year ended March 31, 1990

REVENUE	1990 ($000's)	1989 ($000's)
Interest on loans	2,211	2,370
Interest on short-term deposits	424	232
	2,635	2,602
EXPENSES		
Credit and investment losses		
Loans	1,407	2,415
Guarantees	765	1,569
Interest subsidy payments	2,041	2,689
Administration	918	808
	5,131	7,481
Net cost of operations	2,496	4,879

Statement of Investment by the Province of Ontario
for the year ended March 31, 1990

	Contributed capital ($000's)	Advances ($000's)	Accumulated net income from operations ($000's)	Due to (from) Province ($000's)
Balance, April 1, 1989	8,017	34,628	2,661	1,598
Interest on advances	(3,327)	3,327		
Contributions to fund				
Guarantee and other program costs	4,108			
Administration	918			
Forgiveness of advances	1,913	(1,913)		
New advances, net of repayments		2,569		
Net cost of operations for the year			(2,496)	
Change in due to Province				(4,558)
Balance, March 31, 1990	11,629	38,611	165	(2,960)

See accompanying notes to financial statements.

EASTERN ONTARIO DEVELOPMENT CORPORATION

Statement of Cash Flows
for the year ended March 31, 1990

LENDING, INVESTING AND FINANCIAL ASSISTANCE ACTIVITIES

	1990 ($000's)	1989 ($000's)
Loan disbursements, net of collections	(1,376)	(1,488)
Interest collected from borrowers	2,319	2,364
Disbursements for guarantees honoured and guarantee interest subsidies	(2,868)	(4,258)
Cash outflow for lending, investing and financial assistance activities	(1,925)	(3,382)

FINANCING ACTIVITIES

	1990 ($000's)	1989 ($000's)
Interest paid on Provincial advances	(4,436)	(3,018)
Net advances	3,946	2,703
Cash contributions from the Province for:		
Lending activities	5,112	2,069
Administration	918	808
Net receipts from (payments to) Province for:		
Other agency loans under administration	(627)	(116)
Recoveries from borrowers of loan writeoffs and guarantees honoured	(749)	81
Other	(576)	225
Cash inflow from financing activities	3,588	2,752

OPERATING ACTIVITIES

	1990 ($000's)	1989 ($000's)
Interest received on short-term deposits	386	232
Administration costs	(918)	(808)
Other	(546)	
Cash outflow for operating activities	(1,078)	(576)
Increase (decrease) in cash and short-term deposits	585	(1,206)
Cash and short-term deposits, beginning of year	2,995	4,201
Cash and short-term deposits, end of year	3,580	2,995

See accompanying notes to financial statements.

EASTERN ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1990

1. GENERAL

The Eastern Ontario Development Corporation is incorporated under the Development Corporations Act and is a corporation without share capital. The Corporation is exempt from income taxes.

The Corporation's objectives are to encourage and assist in the development and diversification of industry in Eastern Ontario. The Corporation provides financial assistance by making and guaranteeing loans.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Loans receivable

Loans receivable are reported at the amount disbursed plus accrued interest, less principal repayments and amounts written off. No provision is made for doubtful loans in advance of a loan being written off.

Loans receivable include both loans made directly by the Corporation and loans administered for other Provincial ministries and agencies if the Corporation is a signatory to the loan agreement.

Loan losses in the Statement of Operations are net of recoveries on loans previously written off.

(b) Revenue recognition

Interest income is recognized on the accrual basis, except for certain loans administered by the Corporation that permit the borrower to defer interest payments. For those interest-deferred loans, interest that accrues during the deferred payment period is recognized in income only when received.

(c) Guarantees

Guarantee expenses are recognized at the date the Corporation is requested to honour a guarantee. No provision for anticipated guarantee losses is recorded in advance of requests to honour a guarantee. Losses in the Statement of Operations are net of amounts recovered from customers.

(d) Fixed assets

Fixed assets for the Corporation's own use are expensed on acquisition and are included in administration expenses.

(e) Administration expenses

Administration expenses are reflected on a cash basis which is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended.

(f) Transactions with the Province

Contributions from the Province to fund loan and other program losses, and administration costs are credited to contributed capital.

Advances from the Province of Ontario are recorded at amounts originally received plus accrued interest, less amounts repaid and amounts that are forgiven as a result of the related loan receivable being written off. Interest on advances is considered to be a distribution from equity and is charged to contributed capital.

3. CHANGES IN ACCOUNTING POLICIES

(a) In fiscal 1990, the Corporation changed the accounting for transactions with the Province to the policy described in Note 2(f). Under the previous policy, Provincial contributions related to administration expenses, guarantee losses and other program costs were included as a reduction of expenses in the Statement of Operations. Interest on advances and agency loan interest to be returned to the Province were reported as expenses.

Under the new policy, all of these items are excluded from the Statement of Operations and are included in a new statement, the Statement of Investment by the Province of Ontario. This change has been applied retroactively and the 1989 financial statements restated accordingly.

The effects of this accounting change are as follows:

	As originally reported ($000's)	As restated ($000's)
Contributed capital, April 1, 1989	0	8,017
Accumulated net income from operations, April 1, 1989 (previously retained earnings)	10,376	2,661

As a result of this change, 1990 net cost of operations is $3.6 million (1989 — $3.7 million) higher than it would have been under the former policy.

(b) The Corporation has also changed, effective April 1, 1989, the accounting policy for amounts recovered on loans written off or guarantees honoured in past periods. Under the new policy, amounts recovered are included in the Statement of Operations as a reduction of losses on loans and guarantees. Previously, such amounts were excluded from the Statement of Operations. As a result of this change, the net cost of operations for 1990 is $0.5 million lower than it would have been under the former policy.

EASTERN ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements—Concluded
March 31, 1990

4. LOANS RECEIVABLE

Loans receivable include $6.2 million (1989 — $6.1 million) of loans administered on behalf of other Provincial agencies and ministries.

As at March 31, 1990, 1.4% of total loans receivable are floating-rate loans, and the balance bear fixed rates ranging from 6% to 14.5%. The weighted average interest rate on all loans was 10.7% at March 31, 1990.

The amounts of loans on which payments were past due by more than 90 days was $3.1 million.

5. GUARANTEES

The Corporation guarantees the repayment of certain loans made by private sector financial institutions to qualifying Ontario businesses. No guarantee fees are charged to the borrowers or to the Province.

Under certain guarantee programs, the Corporation guarantees only a portion of loans outstanding. At March 31, 1990, the Corporation's maximum contingent liability under guarantees amounted to $24.6 million (1989 — $24.5 million).

6. ADVANCES

Advances from the Province are used to fund loans. The advances have no fixed maturity dates and are forgiven by the Province if the related loan receivable proves uncollectible.

At March 31, 1990, $31.5 million (1989 — $30.4 million) of advances were interest bearing, with the balance of $7.1 million (1989 — $4.2 million) being interest free.

7. CREDIT AND INVESTMENT LOSSES

Credit and investment losses shown in the Statement of Operations are net of recoveries as follows:

	Loans ($000's)	Other Guarantees ($000's)
Writedowns/guarantees honoured	2,157	827
Less recoveries	(750)	(62)
Net expense — 1990	1,407	765
— 1989	2,415	1,569

8. ADMINISTRATION

	1990 ($000's)	1989 ($000's)
Salaries and benefits	564	549
Transportation and communications	140	163
Services	115	84
Supplies and equipment	99	12
	918	808

The Corporation provides pension benefits for all its permanent staff through participation in the Public Service Pension Fund, established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was $24,100 (1989 — $30,400) and is included in salaries and benefits. This amount includes current contributions and additional payments required to cover the Corporation's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next forty years.

The Corporation had fourteen members of the Board of Directors on March 31, 1990. Their remuneration for 1990 totalled $33,950 (1989 — $31,300).

9. COMMITMENTS AND CONTINGENCIES

(a) See Note 5 for information on guarantees.

(b) Loans committed but not disbursed as at March 31, 1990 amounted to $8.3 million (1989 — $12.1 million).

NORTHERN ONTARIO DEVELOPMENT CORPORATION

Balance Sheet
as at March 31, 1990

	1990 ($000's)	1989 ($000's)
ASSETS		
Loans receivable	65,572	61,788
Cash and short-term deposits	10,243	1,977
Accounts receivable	56	
Other assets	254	595
Total assets	76,125	64,360
LIABILITIES		
Accounts payable		
— Ontario Development Corporation	4,776	2,828
— Other		6
	4,776	2,834
Commitments and contingencies (Note 10)		
INVESTMENT BY THE PROVINCE OF ONTARIO		
Contributed capital, net of distributions	16,977	13,065
Advances	65,462	55,535
Accumulated net cost of operations	(8,294)	(5,261)
Due from Province	(2,796)	(1,813)
	71,349	61,526
Total liabilities and investment by the Province	76,125	64,360

See accompanying notes to financial statements.

Chairman

Director

To the Northern Ontario Development Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of the Northern Ontario Development Corporation as at March 31, 1990 and the statements of operations, investment by the Province of Ontario and cash flows for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies described in note 2 to the financial statements. Further, in my opinion, such policies have been applied, after giving retroactive effect to the changes in the method of accounting for transactions with the Province of Ontario and except for the change in accounting for amounts recovered on loans written off or guarantees honoured as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Ontario,
July 13, 1990.

D.F. Archer, F.C.A.,
Provincial Auditor.

NORTHERN ONTARIO DEVELOPMENT CORPORATION

Statement of Operations
for the year ended March 31, 1990

REVENUE

	1990 ($000's)	1989 ($000's)
Interest on loans	3,125	3,444
Interest on short-term deposits	852	727
Other income (rent, gain on sale of assets)	213	48
	4,190	4,219

EXPENSES

	1990 ($000's)	1989 ($000's)
Credit and investment losses		
Loans	2,606	2,997
Guarantees	2,451	105
Interest subsidy payments	936	1,022
Administration	1,230	1,127
	7,223	5,251
Net cost of operations	3,033	1,032

Statement of Investment by the Province of Ontario
for the year ended March 31, 1990

	Contributed capital ($000's)	Advances ($000's)	Accumulated net cost of operations ($000's)	Due to Province ($000's)
Balance, April 1, 1989	13,065	55,535	(5,261)	(1,813)
Interest on advances	(4,411)	4,411		
Contributions to fund				
Guarantee and other program costs	3,826			
Administration	1,230			
Forgiveness of advances	3,267	(3,267)		
New advances, net of repayments		8,783		
Net cost of operations for the year			(3,033)	
Change in due from Province				(983)
Balance, March 31, 1990	16,977	65,462	(8,294)	(2,796)

See accompanying notes to financial statements.

NORTHERN ONTARIO DEVELOPMENT CORPORATION

Statement of Cash Flows
for the year ended March 31, 1990

LENDING, INVESTING AND FINANCIAL ASSISTANCE ACTIVITIES	1990 ($000's)	1989 ($000's)
Loan disbursements, net of collections	(7,161)	(9,659)
Interest collected from borrowers	3,172	3,449
Disbursements for guarantees honoured and guarantee interest subsidies	(3,387)	(1,127)
Cash outflow for lending, investing and financial assistance activities	(7,376)	(7,337)
FINANCING ACTIVITIES		
Interest paid on Provincial advances	(6,105)	(3,507)
Net advances	13,886	6,054
Cash contributions from the Province for:		
Lending activities	3,737	3,775
Administration	1,230	1,127
Net receipts from (payments to) Province for:		
Other agency loans under administration	(490)	(563)
Recoveries from borrowers of loan writeoffs and guarantees honoured	(464)	310
Other	1,787	(399)
Cash inflow from financing activities	13,581	6,797
OPERATING ACTIVITIES		
Interest received on short-term deposits	796	727
Administration costs	(1,230)	(1,127)
Proceeds on sale of assets	336	
Other	2,159	66
Cash inflow (outflow) for operating activities	2,061	(334)
Increase (decrease) in cash and short-term deposits	8,266	(874)
Cash and short-term deposits, beginning of year	1,977	2,851
Cash and short-term deposits, end of year	10,243	1,977

See accompanying notes to financial statements.

NORTHERN ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1990

1. **GENERAL**

The Northern Ontario Development Corporation is incorporated under the Development Corporations Act and is a corporation without share capital. The Corporation is exempt from income taxes.

The Corporation's objectives are to encourage and assist in the development and diversification of industry in Northern Ontario. The Corporation provides financial assistance by making and guaranteeing loans.

2. **SIGNIFICANT ACCOUNTING POLICIES**

(a) Loans receivable

Loans receivable are reported at the amount disbursed plus accrued interest, less principal repayments and amounts written off. No provision is made for doubtful loans in advance of a loan being written off.

Loans receivable include both loans made directly by the Corporation and loans administered for other Provincial ministries and agencies if the Corporation is a signatory to the loan agreement.

Loan losses in the Statement of Operations are net of recoveries on loans previously written off.

(b) Revenue recognition

Interest income is recognized on the accrual basis, except for certain loans administered by the Corporation that permit the borrower to defer interest payments. For those interest-deferred loans, interest that accrues during the deferred payment period is recognized in income only when received.

(c) Guarantees

Guarantee expenses are recognized at the date the Corporation is requested to honour a guarantee. No provision for anticipated guarantee losses is recorded in advance of requests to honour a guarantee. Losses in the Statement of Operations are net of amounts recovered from customers.

(d) Fixed assets

Fixed assets for the Corporation's own use are expensed on acquisition and are included in administration expenses.

(e) Administration expenses

Administration expenses are reflected on a cash basis which is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended.

(f) Transactions with the Province

Contributions from the Province to fund loan and other program losses, and administration costs are credited to contributed capital.

Advances from the Province of Ontario are recorded at amounts originally received plus accrued interest, less amounts repaid and amounts that are forgiven as a result of the related loan receivable being written off. Interest on advances is considered to be a distribution from equity and is charged to contributed capital.

3. **CHANGES IN ACCOUNTING POLICIES**

(a) In fiscal 1990, the Corporation changed the accounting for transactions with the Province to the policy described in Note 2(f). Under the previous policy, Provincial contributions related to administration expenses, guarantee losses and other program costs were included as a reduction of expenses in the Statement of Operations. Interest on advances and agency loan interest to be returned to the Province were reported as expenses.

Under the new policy, all of these items are excluded from the Statement of Operations and are included in a new statement, the Statement of Investment by the Province of Ontario. This change has been applied retroactively and the 1989 financial statements restated accordingly.

The effects of this accounting change are as follows:

	As originally reported ($000's)	As restated ($000's)
Contributed capital, April 1, 1989		13,065
Accumulated net cost of operations, April 1, 1989 (previously retained earnings)	7,755	(5,261)

As a result of this change, 1990 net cost of operations is $3.9 million (1989 — $1.6 million) higher than it would have been under the former policy.

NORTHERN ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements—Continued
March 31, 1990

(b) The Corporation has also changed, effective April 1, 1989, the accounting policy for amounts recovered on loans written off or guarantees honoured in past periods. Under the new policy, amounts recovered are included in the Statement of Operations as a reduction of losses on loans and guarantees. Previously, such amounts were excluded from the Statement of Operations. As a result of this change, the net cost of operations for 1990 is $1.2 million lower than it would have been under the former policy.

4. LOANS RECEIVABLE

Loans receivable include $16.2 million (1989 — $14.2 million) of loans administered on behalf of other Provincial agencies and ministries.

As at March 31, 1990, 0.4% of total loans receivable are floating-rate loans, and the balance bear fixed rates ranging from 6% to 16.5%. The weighted average interest rate on all loans was 10.2% at March 31, 1990.

The amounts of loans on which payments were past due by more than 90 days was $5.6 million.

5. OTHER ASSETS

	1990 ($000's)	1989 ($000's)
Assets acquired through loan foreclosure (at amounts that do not exceed estimated realizable value)		
Shares	250	250
Net investments in lease		289
Other	4	56
	254	595

6. GUARANTEES

The Corporation guarantees the repayment of certain loans made by private sector financial institutions to qualifying Ontario businesses. No guarantee fees are charged to the borrowers or to the Province.

Under certain guarantee programs, the Corporation guarantees only a portion of loans outstanding. At March 31, 1990, the Corporation's maximum contingent liability under guarantees amounted to $37.1 million (1989 — $38.2 million).

7. ADVANCES

Advances from the Province are used to fund loans. The advances have no fixed maturity dates and are forgiven by the Province if the related loan receivable proves uncollectible.

At March 31, 1990, $43.7 million (1989 — $42.8 million) of advances were interest bearing, with the balance of $21.8 million (1989 — $12.7 million) being interest free.

8. CREDIT AND INVESTMENT LOSSES

Credit and investment losses shown in the Statement of Operations are net of recoveries as follows:

	Loans ($000's)	Other Guarantees ($000's)
Writedowns/guarantees honoured	3,796	2,451
Less recoveries	(1,190)	
Net expense — 1990	2,606	2,451
— 1989	2,997	105

NORTHERN ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements—Concluded
March 31, 1990

9. ADMINISTRATION

	1990 ($000's)	1989 ($000's)
Salaries and benefits	767	747
Transportation and communication	212	225
Services	190	124
Supplies and equipment	61	25
Other expenses		6
	1,230	1,127

The Corporation provides pension benefits for all its permanent staff through participation in the Public Service Pension Fund, established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was $44,400 (1989 — $38,300) and is included in salaries and benefits. This amount includes current contributions and additional payments required to cover the Corporation's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next forty years.

The Corporation had fourteen members of the Board of Directors on March 31, 1990. Their remuneration for 1990 totalled $55,500 (1989 — $47,200).

10. COMMITMENTS AND CONTINGENCIES

(a) See Note 6 for information on guarantees.

(b) Loans committed but not disbursed as at March 31, 1990 amounted to $8 million (1989 — $11.5 million).

(c) A legal action claiming damages of $4 million plus interest, which had been instituted against the Corporation and others by a former shareholder of Minaki Lodge Resort Ltd. and Minaki Development Company Limited, was dismissed by the Court. However, the plaintiff has appealed the dismissal.

INNOVATION ONTARIO CORPORATION

Balance Sheet
as at March 31, 1990

	1990 ($000's)	1989 ($000's)
Assets		
Equity and royality investments	12,276	10,437
Loans receivable	208	438
	12,484	10,875
Cash and short-term deposits	1,104	
Accounts receivable	22	23
Total assets	13,610	10,898
Liabilities		
Bank overdraft		87
Investment by the Province of Ontario		
Contributed capital, net of distributions	28,595	20,583
Accumulated net cost of operations	(14,478)	(9,117)
Due from Province	(507)	(655)
	13,610	10,811
Total liabilities and investment by the Province	13,610	10,898

See accompanying notes to financial statements.

Chairman

Director

To the Innovation Ontario Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of Innovation Ontario Corporation as at March 31, 1990 and the statements of operations, investment by the Province of Ontario and cash flows for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies described in note 2 to the financial statements applied, after giving retroactive effect to the changes in the method of accounting for transactions with the Province of Ontario as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Ontario,
June 8, 1990.

D.F. Archer, F.C.A.,
Provincial Auditor.

INNOVATION ONTARIO CORPORATION

Statement of Operations
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
Revenue		
Royalty income	18	8
Interest on short-term deposits	52	30
Gain on sale of equity investments	170	155
Sale of technology royalty investments	38	
	278	193
Expenses		
Provision for investment losses	3,163	1,352
Commercial Development Officer Program		706
Administration	1,710	1,806
Technology royalty investments	766	1,115
	5,639	4,979
Net cost of operations	5,361	4,786

Statement of Investment by the Province of Ontario
for the year ended March 31, 1990

	Contributed capital ($000's)	Accumulated net cost of operations ($000's)	Due to (from) Province ($000's)
Balance, April 1, 1989	20,583	(9,117)	(655)
Contributions to fund			
Investments	5,536		
Technology royalty investments	766		
Administration	1,710		
Net cost of operations for the year		(5,361)	
Change in due to Province			148
Balance, March 31, 1990	28,595	(14,478)	(507)

See accompanying notes to financial statements.

INNOVATION ONTARIO CORPORATION

Statement of Cash Flows
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
LENDING, INVESTING AND FINANCIAL ASSISTANCE ACTIVITIES		
Loan disbursements	(20)	(500)
Disbursements for equity investments	(4,951)	(6,260)
Proceeds on sale of investments	407	544
Disbursements for Commercial Development Officer Program (CDO)		(706)
Technology royalty investments	(766)	(1,115)
Royalty income received	18	8
Cash outflow for lending and investing activities	(5,312)	(8,029)
FINANCING ACTIVITIES		
Cash contributions from the Province for:		
Equity and royalty investments	6,258	7,375
Lending activities, administration and CDO program	1,745	3,012
Other	158	2,080
Cash inflow from financing activities	8,161	12,467
OPERATING ACTIVITIES		
Interest received on short-term deposits	52	30
Administration costs	(1,710)	(1,806)
Cash outflow for operating activities	(1,658)	(1,776)
Increase in cash	1,191	2,662
Cash (indebtedness), beginning of year	(87)	(2,749)
Cash (indebtedness), end of year	1,104	(87)

See accompanying notes to financial statements.

Notes to Financial Statements
March 31, 1990

1. OPERATIONS OF THE CORPORATION

Innovation Ontario Corporation was incorporated by regulation under the Development Corporations Act on June 26, 1986. The Corporation was created to stimulate economic development and provide financial support and management assistance for high risk start-ups in new technology-based industries in Ontario. The financial assistance provided by the Corporation is through equity investments or quasi-equity investments such as convertible debentures and royalty arrangements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Equity and royalty investments
Equity investments are recorded at cost less provision for loss to reflect a permanent impairment in the value of the investment portfolio. The provision is determined by management based upon their best estimates from the most current information available to them. Royalty investments are recorded at a nominal value to reflect the conversion of technology royalty investments to equity (See note b). Due to the nature of the investments, there is no quoted market value and the carrying value may not be equal to the realizable value.

(b) Technology royalty investments
The cost of funding certain private sector technology development projects are expensed as incurred.

(c) Fixed assets
Fixed assets for the Corporation's own use are expensed on acquisition and are included in administration expenses.

(d) Transactions with the Province
Contributions from the Province to fund equity investments, technology royalty investments, loan and other program expenses, and administration costs are credited to contributed capital.

(e) Administration expenses
Administration expenses are reflected on a cash basis which is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended.

3. CHANGES IN ACCOUNTING POLICIES

In fiscal 1990, the Corporation changed the accounting for transactions with the Province to the policy described in Note 2(d). Under the previous policy, Provincial contributions related to administration expenses and other program costs were included as a reduction of expenses in the Statement of Operations.

Under the new policy, all of these items are excluded from the Statement of Operations and are included in a new statement, the Statement of Investment by the Province of Ontario. This change has been applied retroactively and the 1989 financial statements restated accordingly.

The effects of this accounting change are as follows:

	As originally reported ($000's)	As restated ($000's)
Contributed capital, April 1, 1989	15,406	20,583
Accumulated net cost of operations, April 1, 1989 (previously retained earning)	(3,940)	(9,117)

As a result of this change, 1990 net cost of operations is $1.7 million [1989 — $2.5 million] higher than it would have been under the former policy.

4. EQUITY AND ROYALTY INVESTMENTS

	Number of Investees	1990 ($000's)	1989 ($000's)
Common shares	125	11,426	10,087
Preferred shares	4	850	350
Technology royalty investment	56		
	185	12,276	10,437

INNOVATION ONTARIO CORPORATION

Notes to Financial Statements — Concluded
March 31, 1990

5. PROVISION FOR INVESTMENT LOSSES

Investment losses shown in the Statement of Operations are as follows:

	Loans ($000's)	Investments ($000's)	Total ($000's)
Provision for Losses 1990	250	2,913	3,163
1989	260	1,092	1,352

6. COMMERCIAL DEVELOPMENT OFFICER ("CDO") PROGRAM

On June 30, 1986, the Corporation assumed responsibility for the administration of the CDO Program funded by IDEA Research Investment Fund Inc., a wholly-owned subsidiary of Ontario Development Corporation. This program was terminated on January 31, 1989.

7. COMMITMENTS

Funds committed but not disbursed as at March 31, 1990 amounted to:

	1990 ($000's)	1989 ($000's)
Equity investments	533	1,075
Technology royalty investments	162	549
	695	1,624

8. ADMINISTRATION

	1990 ($000's)	1989 ($000's)
Salaries and benefits	1,055	1,142
Transportation and communication	139	132
Services	453	437
Supplies and equipment	63	95
	1,710	1,806

The Corporation provides pension benefits for all their permanent staff through participation in the Public Service Pension Fund, established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was $58,200 [1989 — $55,747] representing the total obligation of the Corporation and is included in salaries and benefits. This amount includes current contributions and additional payments required to cover the Corporation's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next forty years.

The Corporation had fourteen members of the Board of Directors on March 31, 1990. Their remuneration for 1990 totalled $40,175 [1989 — $26,300].

FARM INCOME STABILIZATION COMMISSION OF ONTARIO

Balance Sheet
as at March 31, 1990

ASSETS

	1990 ($000's)	1989 ($000's)
Cash	8,437	5,322
Short term deposits		5,000
	8,437	10,322

LIABILITIES

	1990 ($000's)	1989 ($000's)
Farmers' enrolment fees (Schedule) (note 4)	64	2,282
Government subsidies (note 4)	8,373	8,040
	8,437	10,322

See accompanying schedule and notes to financial statements.

On behalf of the Commission:

Chairman

Ellard Powers

Member

To the Farm Income Stabilization Commission of Ontario and
to the Minister of Agriculture and Food.

I have examined the balance sheet of the Farm Income Stabilization Commission of Ontario as at March 31, 1990 and the statement of receipts and disbursements for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1990 and its receipts and disbursements in accordance with the accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
June 1, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

FARM INCOME STABILIZATION COMMISSION OF ONTARIO

Statement of Receipts and Disbursements
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
Receipts:		
Farmers' enrolment fees (note 4) including interest income	110	1,290
Administrative expenses paid by Province (note 2)	2,001	2,082
Interest income	774	1,202
Miscellaneous income		39
	2,885	4,613
Disbursements:		
Stabilization payments	441	7,528
Refunds of farmers' enrolment fees including interest income (note 4)	2,328	10,610
Refund of grain subsidy		5,000
Administrative expenses (note 2)	2,001	2,082
	4,770	25,220
(Deficiency) of receipts over disbursements	(1,885)	(20,607)
Cash and short term deposits, beginning of year	10,322	30,929
Balance, end of year	8,437	10,322
Balance consisted of:		
Cash	8,437	5,322
Short term deposits		5,000
	8,437	10,322

See accompanying schedule and notes to financial statements.

FARM INCOME STABILIZATION COMMISSION OF ONTARIO

Schedule of Farmers' Enrolment Fee Balances by Plan
as at March 31, 1990

Stabilization Plan	Balance beginning of year	Interest	Refunds	Balance end of year
			($000's)	
1983-1987				
Grain	2,092	93	2,121	64
1986-1988				
Fresh Market Potatoes	190	17	207	
	2,282	110	2,328	64

See accompanying notes to financial statements.

Notes to Financial Statements
March 31, 1990

1. **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared by management using the modified cash basis of accounting. Under this modified cash basis, revenue is recorded when received and expenses are recorded when paid, except at the fiscal year end when an additional 30 days are allowed to record both payments for goods and services and to record receipt of government subsidies pertaining to the fiscal year just ended.

2. **ADMINISTRATIVE EXPENSES**

Salaries, benefits and other administrative expenses of the Commission are absorbed by the Ministry of Agriculture and Food and are included in the statement of receipts and disbursements. Details are as follows:

	1990 ($000's)	1989 ($000's)
Salaries and benefits	1,000	802
Transportation and communication	72	76
Services	825	940
Supplies and equipment	104	264
Total expenses reimbursed by the Province	2,001	2,082

FARM INCOME STABILIZATION COMMISSION OF ONTARIO

Notes to Financial Statements—Concluded
as at March 31, 1990

3. FARM INCOME STABILIZATION PLANS

By regulation under the Farm Income Stabilization Act, Ontario has voluntary farm income stabilization plans for the following commodities: grain (corn, soybeans, white beans, winter wheat, barley, oats, and canola), fresh market potatoes and apples. These voluntary plans are designed to stabilize the income of Ontario farmers in periods of low market prices.

Stabilization support payments are also made by the Federal Government. Federal stabilization support payments are made for the difference between the current market price and 90 per cent of the five-year average market price as adjusted for cash costs of production. The Provincial plan supplements the Federal plan on the same basis, and allows the farmers to earn another five percentage points up to a maximum of 95 per cent. One-third of the cost of this additional benefit is borne by the farmer, with the remaining two-thirds made as stabilization support payments by the Province.

4. ENROLMENT FEES

Under the three-year plans in effect up to the end of the 1987 crop year, the farmers were required to deposit enrolment fees with the Commission at the beginning of the plans. Such enrolment fees were based on the estimates of production expected in the ensuing year. These enrolment fees plus any interest earned were carried forward each year and were refunded at the end of the plans.

For the new plans commenced in the 1988-89 fiscal year, the farmers were no longer required to deposit enrolment fees. These fees are deducted at the time of stabilization support payments. The Province pays the stabilization support payments as claims are submitted by the farmers enrolled in the plans.

5. REMUNERATION OF APPOINTEES

Total remuneration of the members of the Commission was $1,977 during the 1990 fiscal year.

6. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform with the current year's presentation.

LIQUOR CONTROL BOARD OF ONTARIO

Balance Sheet
as at March 31, 1990

Assets

	1990 ($000's)	1989 ($000's)
Current		
Cash	14,066	108
Accounts receivable, trade and others	3,661	2,290
Inventories, at cost	200,411	174,977
Prepaid expenses	1,614	2,025
	219,752	179,400

Liabilities and Retained Income

	1990 ($000's)	1989 ($000's)
Current		
Accounts payable and accrued liabilities	98,024	101,111
Retained income	121,728	78,289
	219,752	179,400

See accompanying notes to financial statements.

Approved:

Chairman

Vice President,
Finance and Administration

To the Liquor Control Board of Ontario and
to the Minister of Consumer and Commercial Relations.

I have examined the balance sheet of the Liquor Control Board of Ontario as at March 31, 1990 and the statement of income and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1990 and the results of its operations for the year then ended in accordance with the accounting policy described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
July 18, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Income and Retained Income
year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
Sales and other income	2,006,975	1,930,319
Costs and expenses		
Cost of sales	1,024,352	1,006,194
Retail stores and marketing	210,560	187,955
Administration	38,161	34,268
Warehousing and distribution	26,679	26,009
Fixed assets	23,784	15,448
	1,323,536	1,269,874
Net income for the year	683,439	660,445
Retained income, beginning of year	78,289	62,844
	761,728	723,289
Deduct payments to the Treasurer of Ontario on account of net income	640,000	645,000
Retained income, end of year	121,728	78,289

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements
March 31, 1990

1. SIGNIFICANT ACCOUNTING POLICY

The Board's financial statements are prepared in accordance with generally accepted accounting principles except for fixed assets which are written off to operations at the time of acquisiton.

2. INSURANCE

The Board follows the policy of self-insuring its store assets for property damage such as fire, water, vandalism or theft. All other material assets are insured by insurance companies.

3. LEASE COMMITMENTS

The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

	($000's)
1991	19,140
1992	16,296
1993	13,142
1994	10,053
1995	7,829
Thereafter	15,536
	81,996

4. PENSION PLAN

The Board provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Board's share of contributions to the Fund during the year was $10,192,654 (1989 — $7,905,895). This amount includes current contributions and additional payments required to cover the Board's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next forty years.

5. CONTINGENT LIABILITY

Legal action has been taken against the Board by a major airline contesting the Board's right to collect mark-up on any liquor which is imported into Ontario by the airline. The outcome of this action and the amounts involved are not determinable. Judgment, if any, against the Board will be accounted for as a prior period adjustment in the year the claim is resolved.

THE NIAGARA PARKS COMMISSION

Balance Sheet as at October 31, 1989

ASSETS

	1989 $	1988 $
CURRENT		
Cash	1,674,118	1,218,309
Temporary investments - at cost which approximates market value	7,856,453	9,701,902
Accounts receivable		
Land rent	1,291,627	904,264
Sundry	878,258	765,325
Inventories		
Saleable merchandise	2,338,148	1,586,720
Maintenance and other supplies	478,398	428,570
Prepaid expenses	181,095	162,081
	14,698,097	14,767,171
FUNDS FOR CAPITAL PROGRAM - note 2	4,250,624	8,903,768
FIXED - note 3	55,841,242	44,029,325
	74,789,963	67,700,264

See accompanying notes to financial statements.

On behalf of the Commission:

Chairman

Vice-Chairman

THE NIAGARA PARKS COMMISSION

Balance Sheet as at October 31, 1989

STATEMENT 1

LIABILITIES

	1989 $	1988 $
CURRENT		
Accounts Payable	3.905.172	2.539.315
Accrued payroll	594.405	427.367
	4.499.577	2.966.682

EQUITY

EQUITY (Statement 2)	70.290.386	64.733.582
	74,789.963	67,700.264

THE NIAGARA PARKS COMMISSION

Statement of Equity
for the year ended October 31, 1989

STATEMENT 2

	1989 $	1988 $
EQUITY, BEGINNING OF YEAR	64,733,582	57,996,025
NET INCOME FOR THE YEAR (Statement 3)	5,556,804	6,737,557
EQUITY, END OF YEAR	70,290,386	64,733,582

See accompanying notes to financial statements.

To The Niagara Parks Commission and to the Minister of Tourism and Recreation.

I have examined the balance sheet of The Niagara Parks Commission as at October 31, 1989 and the statements of equity, operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at October 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J.F. Otterman

J.F Otterman, F.C.A.
Assistant Provincial Auditor

Toronto, Ontario
January 12, 1990

THE NIAGARA PARKS COMMISSION

Statement of Operations
for the year ended October 31, 1989

STATEMENT 3

	1989 $	1988 $
INCOME		
Land rent	4,054,904	3,845,000
Commissions, rentals and fees	1,059,029	1,008,994
Net income from gift shops, restaurants and attractions, exclusive of any portion of the administrative overhead of the Commission - Schedule 1	12,402,574	12,642,989
Sundry income	25,813	28,931
Premium on United States funds - net	302,139	388,009
Interest	1,297,223	1,276,457
	19,141,682	19,190,380
EXPENSES		
Maintenance expenses	9,615,401	9,110,828
Administrative and general expenses	2,624,014	2,182,011
Advertising and public relations	243,426	211,561
Bank charges and interest	18,696	16,164
Loss on disposal of fixed assets - net	58,346	8,962
	12,559,883	11,531,526
NET INCOME FOR THE YEAR BEFORE DEPRECIATION ON NON-INCOME PRODUCING ASSETS	6,581,799	7,658,854
DEPRECIATION ON NON-INCOME PRODUCING ASSETS	1,024,995	921,297
NET INCOME FOR THE YEAR	5,556,804	6,737,557

See accompanying notes to financial statements.

THE NIAGARA PARKS COMMISSION

Statement of changes in financial position for the year ended October 31, 1989

STATEMENT 4

	1989 $	1988 $
OPERATING ACTIVITIES		
Cash from operations		
Net income for the year	5,556,804	6,737,557
Charges against income not requiring an outlay of funds		
• depreciation	2,662,048	2,403,744
• loss on disposal of fixed assets - net	58,346	8,962
	8,277,198	9,150,263
Net change in non-cash working capital balances related to operations	212,329	407,724
Funds provided by operating activities	8,489,527	9,557,987
INVESTING ACTIVITIES		
Purchase of fixed assets	(14,633,812)	(6,444,794)
Proceeds on sale of fixed assets	101,501	124,676
Funds for capital program	4,653,144	(8,903,768)
Funds used for investing activities	(9,879,167)	(15,223,886)
DECREASE IN CASH	(1,389,640)	(5,665,899)
CASH, BEGINNING OF YEAR	10,920,211	16,586,110
CASH, END OF YEAR	9,530,571	10,920,211
CASH		
Cash	1,674,118	1,218,309
Temporary investments	7,856,453	9,701,902
	9,530,571	10,920,211

See accompanying notes to financial statements.

THE NIAGARA PARKS COMMISSION

Gift shops, Restaurants and Attractions
Schedule of operations for the year ended October 31, 1989

SCHEDULE 1

	1989 $	1988 $
INCOME		
Souvenirs, china and post cards	16,664,631	16,981,910
Food and refreshments	10,580,404	10,613,337
Beer, liquor and wine	1,316,407	1,315,151
Confectionery and tobacco	820,465	618,804
Fares and admissions	9,408,391	8,410,664
Rentals	395,916	383,700
Sundry	654,813	675,385
	39,841,027	38,998,951
COST OF GOODS SOLD		
Souvenirs, china and post cards	7,661,589	7,783,947
Food and refreshments	2,866,042	2,934,170
Beer, liquor and wine	418,060	422,216
Confectionery and tobacco	428,835	347,936
Sundry	158,718	175,248
	11,533,244	11,663,517
GROSS PROFIT	28,307,783	27,335,434
OPERATING EXPENSES		
Salaries and wages	7,290,963	7,098,386
Employee benefits	982,985	1,000,750
Advertising	427,228	430,265
Fuel, power, water and laundry	541,558	520,103
General expenses	1,790,785	1,351,763
Maintenance of buildings, equipment and vehicles	1,409,420	1,238,544
Maintenance of grounds	373,025	378,672
Grants in lieu of municipal taxes	723,576	529,171
Distribution Centre expense	728,616	662,344
	14,268,156	13,209,998
NET INCOME BEFORE DEPRECIATION	14,039,627	14,125,436
DEPRECIATION ON INCOME PRODUCING ASSETS	1,637,053	1,482,447
NET INCOME EXCLUSIVE OF ANY PORTION OF THE ADMINISTRATIVE OVERHEAD OF THE COMMISSION	12,402,574	12,642,989

See accompanying notes to financial statements.

THE NIAGARA PARKS COMMISSION

Notes to Financial Statements
for the year ended October 31, 1989

SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
The financial statements have been prepared in accordance with generally accepted accounting principles.
Inventories
Inventories of saleable merchandise are valued at the lower of cost (first-in, first-out) and net realizable value.
Fixed assets
All fixed assets are recorded at cost. Depreciation has been recorded on the straight-line method, using rates from 2 to 20 per cent for buildings, roadways and structures, from 10 to 50 per cent for equipment and furnishings and from 8 to 50 per cent for vehicles.

1. NATURE OF BUSINESS
Pursuant to section 15 (2) of the Niagara Parks Act any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Treasurer of Ontario and shall form part of the Consolidated Revenue Fund. The Commission is a highly seasonal operation with the peak season being during the months of May to October. During the off-season months of November, 1989 to April, 1990 the Commission will require approximately $9,600,000 to meet ongoing operation needs. This amount will be funded from temporary investments.

2. CAPITAL PROGRAM
The Commission has approved the following major capital projects for Queen Victoria Park to be completed during the next two years.

	$
Maid of the Mist Plaza	13,700,000
Table Rock House Renovations	9,200,000
	22,900,000

Initial work has commenced and as at October 31, 1989, $5,778,585 has been expended on the projects. The Commission has earmarked $4,250,624 which has been invested for the eventual use toward this capital program. The funds are invested in short-term Government of Canada Treasury Bills and Bankers' Acceptances. The funds are carried at cost which approximates market value.

3. FIXED ASSETS

	Cost	Accumulated Depreciation	Net Book Value 1989	Net Book Value 1988
	$	$	$	$
Land	5,793,821	-	5,793,821	5,488,430
Buildings, roadways and structures	51,373,333	16,111,411	35,261,922	28,700,397
Equipment and furnishings	7,338,272	3,611,586	3,726,686	3,227,614
Vehicles	6,837,837	2,287,499	4,550,338	3,957,349
	71,343,263	22,010,496	49,332,767	41,373,790
Capital works in progress			6,508,475	2,655,535
			55,841,242	44,029,325

4. PENSION PLAN
The Commission provides pension benefits for substantially all its permanent employees through participation in the Public Service Superannuation Fund established by the Province of Ontario. The Commission's share of contributions to the Fund during the year was $575,556 (1988-$567,827). This amount represents the total obligation of the Commission and is included in various categories in the statement of operations.

5. REMUNERATION OF APPOINTEES
The total remuneration of the members of the Commission was $50,218 during the year.

ONTARIO CENTRE FOR ADVANCED MANUFACTURING

Financial position
December 31, 1989

ASSETS

	December 31, 1989 $	March 31, 1989 $
Cash	105,401	398,402
Accounts receivable	11,088	371,660
Work in process		14,114
Prepaid expenses		30,209
Current assets	116,489	814,385
Fixed Assets (Note 4)		546,161
	116,489	1,360,546

LIABILITIES

Accounts payable, trade	3,301	164,082
Accounts payable, Province of Ontario	113,188	552,228
Deferred revenue		98,075
Current liabilities	116,489	814,385

EQUITY

Reserve for capital assets		546,161
	116,489	1,360,546

The explanatory financial notes form an integral part of these financial statements.

Approved on behalf of the Board

Director

Director

AUDITORS' REPORT

To the Board of Directors of the Ontario Centre for Advanced Manufacturing and the
Honourable Minister of Industry, Trade and Technology of the Province of Ontario

We have examined the financial position of the Ontario Centre for Advanced Manufacturing as at December 31, 1989 and the statements of operations and reserve for capital assets for the nine months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1989 and the results of its operations for the nine months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kelly Graham Mepham & Partners

Chartered Accountants

Cambridge, Ontario
January 31, 1990

ONTARIO CENTRE FOR ADVANCED MANUFACTURING

Statement of Operations
nine months ended December 31, 1989

	1989	1989 (note 6)
	$	$
Revenue		
Consulting revenue	709,568	2,543,491
Demonstration projects revenue		152,006
Interest income	42,095	56,463
	751,663	2,751,960
Expenditure		
Salaries and benefits	900,073	2,697,143
Demonstration project costs		131,257
Recruiting and relocation		19,263
Professional and consulting fees	161,182	427,223
Occupancy and office	98,052	463,867
Technology advancement and travel	126,920	483,933
Marketing and communications	16,391	374,177
Workshops, seminars and exhibitions		14,957
Equipment rental and time sharing		47,171
Maintenance	119,066	378,647
Depreciation and amortization	372,057	1,641,939
Wind-up costs (note 5)	1,044,103	590,526
	2,836,854	7,221,203
Excess of expenditure over revenue	2,085,191	4,469,243
Contribution for operating purposes from the Province of Ontario	1,539,030	2,827,304
Transfer from reserve for capital assets	546,161	1,641,939
	2,085,191	4,469,243
	Nil	Nil

Statement of Reserve for Capital Assets
nine months ended December 31, 1989

Balance at beginning of period	546,161	2,094,821
Contributions for capital assets from Province of Ontario		93,279
	546,161	2,188,100
Transfer to operations (above)	546,161	1,641,939
Balance at end of period	Nil	546,161

The explanatory financial notes form an integral part of these financial statements.

ONTARIO CENTRE FOR ADVANCED MANUFACTURING

Explanatory Financial Notes
nine months ended December 31, 1989

1. SIGNIFICANT ACCOUNTING POLICIES

This summary of the major accounting policies of the corporation is presented in order to assist the reader in evaluating the financial statements contained herein. These policies have been followed in all material respects for the periods covered.

(a) Interest Income

Interest income earned on cash on deposit during the period is recorded on the accrual basis whereby income earned but not received is recorded in these financial statements.

This interest income is applied to reduce the annual operating expense allocation from the Province of Ontario.

(b) Investment in Fixed Assets

The acquisition costs of major additions and improvements are capitalized and expenditures for maintenance and repairs which do not improve or extend the useful life of the respective assets are charged to income.

Equipment and furniture and fixtures are depreciated by the straight-line method at rates calculated to amortize the cost of the assets, less salvage value, over their estimated useful lives. Leasehold improvements are amortized by the straight-line method over the terms of the respective leases.

Fixed assets, not purchased by third parties (note 2), were transferred to Conostoga College of Applied Arts and Technology for $1.00. The resulting loss on disposal is included in "Wind-up costs" in the statement of operations.

(c) Recognition of Income

Income and expenditures are recognized and recorded in these financial statements utilizing the accrual method whereby income is recorded when earned and expenditures are recorded when incurred. Revenue received which is unearned is shown as deferred revenue in the statement of financial position.

(d) Contributions from the Province of Ontario

The centre receives funds quarterly in advance for operating and capital purposes from the Province of Ontario.

The operating funds offset current net operating expenditures and accordingly are presented in the statement of operations. The capital funds which relate to the acquisition, net of capital disposals, of high technology equipment and other capital items are presented in the statement of reserve for capital assets and recognized as income as the depreciation on the related assets is charged against operations.

(e) Contributions from the Government of Canada

During fiscal 1987, the Corporation entered into an agreement with the Department of Regional and Industrial Expansion (DRIE) of the Federal Government to jointly fund along with the Province of Ontario the Corporation's new centre located in Windsor, Ontario. This agreement was concluded in February, 1989.

Operating funds relating to operating expenditures are treated as a service contract and are presented in 'Consulting revenue' in the Statement of Operations. Capital funds are included in the Statement of Reserve for capital assets.

(f) Work in Process

Inventory of work in process represented consultants' time and other project costs on client projects at estimated net realizable value.

(g) Pension Plan

Employees became members of the Corporation pension plan after completing one year of continuous service at which time employee contributions were made retroactive to date of commencement of employment.

Upon termination of employment (note 2), employees were given the option of receiving vested pension funds in cash or of transferring funds to alternative retirement plans.

ONTARIO CENTRE FOR ADVANCED MANUFACTURING

Explanatory Financial Notes — Concluded
nine months ended December 31, 1989

2. CESSATION OF OPERATIONS

Effective November 17, 1982, the Ontario Centre for Advanced Manufacturing was established as a Schedule II Crown Agency without share capital by an Act of the Ontario Legislature. The approved operating period was originally designated for the five years ended November 15, 1987. The minister extended the operating period to December, 1989.

The objective of the Corporation was to accelerate the utilization of advanced manufacturing technology through programs promoting both awareness and applications and to encourage the growth of supportive advanced manufacturing industries in order to improve the productivity and competitiveness of Ontario industry and commerce.

In a letter dated January 31, 1988 from the Ministry of Industry, Trade and Technology, the corporation was advised of a decision by the Government of Ontario to privatize the Corporation. Accordingly, the activities of the corporation were refocused to prepare for eventual privatization.

On September 9, 1989, pursuant to the Ministry's directive, the Corporation sold certain of its capital property and its adjusted net working capital position to Giffels Associates Limited. Employment was offered to all corporation employees with the exception of the Metal Forming section. Giffels also acquired the use of the "OCAM" name and agreed to the assignment of the Cambridge Lease (Note 3).

Subsequently, on October 20, 1989, the corporation sold to Forming Technologies Incorporated certain intellectual and capital property formerly utilized by the Metal Forming section. Employment was offered to employees of the Corporation formerly involved in the Metal Forming section.

The Corporation was dissolved effective December 31, 1989 and all the assets, rights, obligations and liabilities were transferred to the Government of the Province of Ontario.

3. COMMITMENT AND CONTINGENT LIABILITIES

(a) The Corporation has entered into net-net lease arrangement for its Cambridge location which expires March, 1991, for an annual lease payment of approximately $135,000. A substantial portion of the leased premises has been subleased under agreement which also expires March 31, 1991.

(b) Pursuant to an agreement dated September 9, 1989, the lease was assigned to Giffels Associates Limited.

4. FIXED ASSETS

	December 31, 1989	March 31, 1989
Technical equipment		307,979
Office equipment		170,236
Furniture and fixtures		67,946
		$546,161

5. EXTRAORDINARY ITEM

In accordance with the Directive from the Ministry of Industry, Trade and Technology referred to in note 2, the corporation has completed privatization and wind-up of operations.

Certain costs which were not part of the normal operations of the Corporation such as severance payments to its employees, loss on disposal of fixed assets, and other related wind-up costs have been reflected as "Wind-up costs" in the Statement of Operations.

6. COMPARATIVE FIGURES

Comparative figures are for the fiscal year ended March 31, 1989.

ONTARIO CENTRE FOR RESOURCE MACHINERY TECHNOLOGY

Balance Sheet
as at March 31, 1990

ASSETS

	1990 $	1989 $
Cash and short-term deposits	165,292	6,013,714
Receivable from Province of Ontario		179,368
Other	43	45,803
Long-term Investments	259,374	2,049,809
Fixed assets		65,933
	424,709	8,354,627

LIABILITIES AND EQUITY

	1990 $	1989 $
Accounts payable and accrued liabilities	18,435	12,223
Payable to the Province of Ontario	90,242	
Reserve for research and development (note 3)		730,221
Equity	316,032	7,612,183
	424,709	8,354,627

Operations (note 1)

Approved by the Board:

Director

Director

AUDITORS' REPORT

To The Honourable Minister of Industry, Trade and Technology of the Province of Ontario and
the Board of Directors of the Ontario Centre for Resource Machinery Technology

We have examined the balance sheet of the Ontario Centre for Resource Machinery Technology as at March 31, 1990 and the statements of revenue and expenditure, equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat Marwick Thorne

Sudbury, Ontario
May 11, 1990

Peat Marwick Thorne
Chartered Accountants

ONTARIO CENTRE FOR RESOURCE MACHINERY TECHNOLOGY

Statement of Revenue and Expenditure
for the year ended March 31, 1990

	1990 $	1989 $
Revenue		
Interest on term deposits	533,415	552,008
Investment income	68,452	124,654
Other income	57,289	103,315
	659,156	779,977
Expenditure		
Administration	867,469	1,118,584
Depreciation	18,090	35,886
	885,559	1,154,470
	(226,403)	(374,493)
Contributions from Province of Ontario (note 2)		374,493
Excess of revenue over expenditure	(226,403)	Nil

Statement of Equity
for the year ended March 31, 1990

INVESTMENT

	1990 $	1989 $
Balance at beginning of year	7,546,250	7,692,500
Add		
Contribution from Province of Ontario (note 2)		1,916,637
Gain on sale of long-term investments	205,002	
Transfer from reserve for research and development	730,221	
	8,481,473	9,609,137
Deduct		
Long-term investment commitments rescinded (note 2)	6,026,694	
Transfer to reserve for research and development		446,637
Long-term investment repayments	1,542,916	214,250
Allowance for decline in value	387,518	1,402,000
	7,957,128	2,062,887
Balance at end of year	524,345	7,546,250

FIXED ASSETS

	1990	1989
Balance at beginning of year	65,933	92,484
Transfer of fixed assets to Province of Ontario	(47,843)	
Contribution from Province of Ontario (note 2)		9,335
Transfer to operations (note 2)	(18,090)	(35,886)
Balance at end of year	Nil	65,933

OPERATING DEFICIT

	1990	1989
Excess of expenditure over revenue	226,403	
Less depreciation	18,090	
Balance at end of year	(208,313)	
Total Equity	316,032	7,612,183

ONTARIO CENTRE FOR RESOURCE MACHINERY TECHNOLOGY

Statement of Changes in Financial Position
for the year ended March 31, 1990

	1990 $	1989 $
Cash provided by (used for):		
Operations		
Excess of expenditure over revenue	(226,403)	
Less depreciation which does not involve cash	18,090	
	(208,313)	
Contributions from (refunds to) Province of Ontario (note 2)	(7,569,610)	1,711,[illegible]22
Change in account with Province of Ontario	269,610	2,588,[illegible]70
Increase (decrease) in accounts payable and accrued liabilities	6,212	(23,[illegible]56)
Decrease (increase) in other assets	45,760	(15,[illegible]96)
	(7,456,341)	4,260,340
Investments		
Acquisition of long-term investments	(200,000)	(507,549)
Proceeds from long-term investments	1,807,919	214,250
Research and development expenditures		(370,000)
Additions to fixed assets		(9,335)
	1,607,919	(672,634)
Increase (decrease) in cash position	(5,848,422)	3,587,706
Cash and short-term deposits at beginning of year	6,013,714	2,426,008
Cash and short-term deposits at end of year	165,292	6,013,714

Notes to Financial Statements
year ended March 31, 1990

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Contributions from the Province of Ontario

Contributions for operations are recognized as revenue in the year in which they are committed by the Province.

Contributions for capital assets are credited to equity in fixed assets. The equity is reduced by the depreciation for the year and is transferred to operations.

Contributions for the investment program are credited to the equity in investment fund.

(b) Long-term Investments

Long-term investments are valued at cost less allowance for decline in value. Income from investments is recorded on the cash basis in the statement of revenue and expenditure. Any gains or losses on disposal and allowances for decline in the value of investments are recorded in the statement of investment equity in the year in which they occur.

(c) Research and Development

Expenditures for research and development projects are charged to the reserve for research and development in the year in which they are incurred.

ONTARIO CENTRE FOR RESOURCE MACHINERY TECHNOLOGY

Notes to Financial Statements — Concluded
March 31, 1990

1. OPERATIONS

The Centre was established by the Government of the Province of Ontario pursuant to the provisions of the Technology Centres Act, 1982, to promote and enhance the application of current technology for a five year period expiring in 1987 (subsequently extended to December 31, 1994).

Consistent with the wishes of the provincial government, responsibility for the management of the portfolio of long-term investments and other assets of the Centre was transferred to the Ontario Development Corporation effective December 31st, 1989.

These assets remain the property of the Centre.

Also, effective December 1989 all fixed assets were transferred to the Province of Ontario and have been accounted for as a disposal at net book value.

2. CONTRIBUTIONS FROM (REFUNDS TO) PROVINCE OF ONTARIO

	1990 $	1989 $
Total contribution (refund)	(6,702,141)	2,830,306
Contributions assigned to (deducted from) equity		
Investment	(6,026,694)	1,916,637
Fixed assets		9,335
	(6,026,694)	1,925,972
Investment repayments	(1,542,916)	(214,250)
	(7,569,610)	1,711,722
	867,469	1,118,584
Transfer from equity in fixed assets	18,090	35,886
	885,559	1,154,470
Deduct revenue earned	659,156	779,977
Excess of expenditure over revenue	226,403	374,493
Contributions to operations		374,493
	226,403	Nil

3. RESERVE FOR RESEARCH AND DEVELOPMENT

	1990	1989
Balance at beginning of year	730,221	653,584
Transfer (to) from investment equity	(730,221)	446,637
Expenditures		(370,000)
Balance at end of year	Nil	730,221

ONTARIO ENERGY CORPORATION

Balance Sheet
December 31, 1989

ASSETS	1989 $	1988 $
CURRENT ASSETS		
Cash and short-term investments	11,318,554	37,434,866
INVESTMENT IN SUNCOR INC. (Note 3)	266,594,350	254,594,374
	277,912,904	292,029,240
LIABILITY		
CURRENT LIABILITY		
Accounts payable and accrued liabilities	46,382	67,712
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (Note 4)	97,714,600	97,714,600
CONTRIBUTED SURPLUS	325,000,000	325,000,000
DEFICIT	(144,848,078)	(130,753,072)
	277,866,522	291,961,528
	277,912,904	292,029,240

Approved by the Board:

Director Director

Auditors' Report

To the Shareholder of Ontario Energy Corporation

We have examined the balance sheet of Ontario Energy Corporation as at December 31, 1989 and the statements of income and deficit and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte + Touche

March 8, 1990

ONTARIO ENERGY CORPORATION

Statement of Income and Deficit
year ended December 31, 1989

	1989 $	1988 $
REVENUE		
Interest	1,415,885	2,216,536
Gain on disposal of investments (Note 2)	730,189	2,200,331
	2,146,074	4,416,867
EXPENSE		
General and administrative	241,080	499,679
Income from operations	1,904,994	3,917,188
Equity in income (loss) of Suncor Inc. (Note 3)	12,000,000	(12,500,000)
Net income (loss)	13,904,994	(8,582,812)
Dividend	(28,000,000)	(20,000,000)
Deficit, beginning of year	(130,753,072)	(102,170,260)
Deficit, end of year	(144,848,078)	(130,753,072)

ONTARIO ENERGY CORPORATION

Statement of Changes in Financial Position
year ended December 31, 1989

	1989 $	1988 $
OPERATING ACTIVITIES		
Net income (Loss)	13,904,994	(8,582,812)
Items not affecting cash flow		
Gain on disposal of investments	(730,189)	(2,200,331)
Equity in income of Suncor Inc.	(12,000,000)	12,500,000
	1,174,805	1,716,857
Proceeds on disposal of investments	730,189	25,400,551
Suncor Inc. dividends	24	5,324,806
Investments		(868,122)
	1,905,018	31,574,092
Change in operating working capital		
Accounts payable and accrued liabilities	(21,330)	(161,018)
Cash provided by operating activities	1,883,688	31,413,074
DIVIDEND PAID	(28,000,000)	(20,000,000)
(DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS	(26,116,312)	11,413,074
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	37,434,866	26,021,792
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	11,318,554	37,434,866

Notes to the Financial Statements
December 31, 1989

1. DESCRIPTION OF BUSINESS

The Ontario Energy Corporation has invested in, or otherwise participated in, energy projects with a view to enhancing the availability of energy in Ontario. It has determined to seek prudent disposal of its investments.

On April 6, 1989, by special resolution of the shareholders, there was a voluntary dissolution of the Corporation's subsidiaries, Ontario Energy Ventures Limited, Onexco Oil & Gas Ltd. and Ontario Energy Resources Ltd.. All property of the subsidiaries was distributed to the Corporation and all outstanding debts due to the Corporation were forgiven.

2. GAIN ON DISPOSAL OF INVESTMENTS

As at December 31, 1988, additional proceeds with respect to investments disposed of during 1988, were contingent on specified future events. As a result, revenue of $730,189 was received and recorded as an additional gain on disposal in 1989.

ONTARIO ENERGY CORPORATION

Notes to the Financial Statements — Concluded
December 31, 1989

3. INVESTMENT IN SUNCOR INC.

The investment in 25% of the common shares of Suncor Inc. is accounted for using the equity method.

Summarized financial information of Suncor Inc., as at December 31 is as follows:

	1989	1988
	(in millions)	
Working capital	$ 40	$ 32
Total assets	2,048	2,023
Shareholders' equity		
Preferred shares	7	7
Common shares and retained earnings	1,064	1,016
	1,071	1,023
Revenue	1,488	1,345
Net income (loss)	49	(49)
Cash dividends on common shares		$ 21
Stock dividends on common shares	$ 21	
	$ 21	$ 21

4. SHARE CAPITAL

Share capital — December 31, 1989 and 1988

Authorized	
An unlimited number of common shares	
20,000,000 non-voting special shares	
Issued	
2,000,000 common shares	$100,000,000
Less	
45,708 common shares held in Treasury, at cost	2,285,400
	$97,714,600

5. INCOME TAX

The Corporation is not subject to income tax so long as not less than 90% of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.

ONTARIO HOUSING CORPORATION

Balance Sheet
As at December 31, 1989

ASSETS

	1989 ($000's)	1988 ($000's)
Investment in properties (note 3)	1,281,001	1,292,500
Mortgages and loans (note 4)	41,992	36,382
Amount due from the Treasurer of Ontario	106,859	82,027
Accounts receivable	2,170	1,780
	1,432,022	1,412,689
Non-profit housing fund (note 5)	319,670	
	1,751,692	1,412,689

LIABILITIES

	1989 ($000's)	1988 ($000's)
Long-term debt (note 6)		
Canada Mortgage and Housing Corporation	1,118,609	1,128,524
Other	19,974	20,115
	1,138,583	1,148,639
Accounts payable and accrued liabilities (note 7)	92,443	71,155
Bank Indebtedness	4,502	875
	1,235,528	1,220,669
Non-profit housing fund (note 5)	319,670	
EQUITY		
Contributed surplus (note 8)	196,494	192,020
	1,751,692	1,412,689

See accompanying notes to financial statements.

On behalf of the Board:

Vice-Chairman

Executive Director

Treasurer

ONTARIO HOUSING CORPORATION

Statement of Operations
Year ended December 31, 1989

	1989 ($000's)	1988 ($000's)
HOUSING OPERATIONS		
Assisted housing (note 9)		
Rental revenue	241,486	231,571
Expenses		
Property operating expenses	358,342	327,134
Grants in lieu of municipal taxes	95,369	86,483
Amortization (principal and interest)	115,058	115,089
	568,769	528,706
Loss on assisted housing	327,283	297,135
Rent supplement (note 10)	85,705	73,440
	412,988	370,575
Less: Canada Mortgage and Housing Corporation share	207,300	188,595
	205,688	181,980
Provincial contributions to municipal housing (note 11)	21,581	19,533
Rural and native housing (note 12)	4,194	3,908
Recovery of amortization (principal and interest)	(18,173)	(17,514)
PROVINCIAL SHARE OF LOSS ON HOUSING OPERATIONS	213,290	187,907
FUNDS PROVIDED BY THE TREASURER OF ONTARIO	213,290	187,907

See accompanying notes to financial statements.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements
December 31, 1989

1. SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies used in preparing the accompanying financial statements:

i) The Corporation uses the accrual method of accounting.

ii) Capital funds provided by the Treasurer of Ontario are not repayable and are therefore recorded as Contributed Surplus. However, to reflect the full costs of operating the projects, relevant amortization charges (principal and interest) are imputed and included in Loss on Assisted Housing. Such amortization is offset by a credit to Recovery of Amortization in the Statement of Operations.

iii) Land and buildings held as investments in Provincial and Federal-Provincial properties are amortized on a basis equal to the reduction of the corresponding long-term debt. For the provincial portion of such investments, the reduction is made to Contributed Surplus.

iv) Furniture and equipment purchases are expensed in the year of acquisition.

2. SELF-INSURANCE

The Corporation follows the policy of self-insuring its Provincial and Federal-Provincial properties for property damage such as fire, water and vandalism. Costs of such repairs are charged to property operating expenses.

3. INVESTMENT IN PROPERTIES

The Corporation's investment in properties is as follows: –

	1989 ($000's)	1988 ($000's)
(a) Provincial housing	1,199,205	1,209,715
(b) Federal-Provincial housing	15,481	15,806
(c) Student housing on leased land	60,981	61,553
(d) Other	5,334	5,426
	1,281,001	1,292,500

(a) Provincial housing

This investment represents land and building costs of wholly-owned properties which are amortized over periods not exceeding 50 years.

	1989 ($000's)	1988 ($000's)
Cost	1,319,469	1,310,538
Less: accumulated amortization	120,264	100,823
Net book value	1,199,205	1,209,715

(b) Federal-Provincial housing

Federal-Provincial properties are owned and operated on a partnership basis with Canada Mortgage and Housing Corporation. The balance represents the Corporation's share of land and building costs which are amortized over periods not exceeding 50 years.

	1989 ($000's)	1988 ($000's)
Cost	20,753	20,753
Less: accumulated amortization	5,272	4,947
Net book value	15,481	15,806

(c) Student housing on leased land

This investment represents building costs to provide student accommodation on land leased from 11 universities and colleges. These costs are being repaid semi-annually to the Corporation by the educational institutions over a 50 year period. When costs are fully repaid, title to the properties will be transferred to the respective institutions. The institutions retain the rental revenues and absorb the property operating expenses.

	1989 ($000's)	1988 ($000's)
Cost	67,873	67,890
Less: educational institutions' equity	6,892	6,337
Net book value	60,981	61,553

ONTARIO HOUSING CORPORATION

Notes to Financial Statements — Continued
December 31, 1989

3. INVESTMENT IN PROPERTIES — Continued

(d) Other

	1989 ($000's)	1988 ($000's)
Land leased, at cost	2,308	2,308
Projects under development, at cost	1,086	1,078
Land inventory, lower of cost or estimated market value	1,840	2,040
	5,234	5,426

4. MORTGAGES AND LOANS

	1989 ($000's)	1988 ($000's)
Rural and Native Housing Program (see note 12)	38,778	33,138
Other	3,214	3,244
	41,992	36,382

5. NON-PROFIT HOUSING FUND

The Corporation is borrowing long-term funds from the Canada Pension Plan Investment Fund (CPP) in an amount not to exceed $3.1 billion over a period of 5 years by issuance of debentures. The funds borrowed are being lent to non-profit housing organizations and universities and colleges to build, acquire or lease housing units under the HOMES NOW and Student Residences Programs. Any funds received but not disbursed are invested in short-term fixed income and marketable securities.

As of December 31, 1989, the Fund consisted of:

	($000's)
Assets	
Short Term Investments	211,620
Advances and mortgages	
Non-profit housing organizations	96,599
Colleges and universities	9,994
Mortgage interest receivable	1,457
	319,670
Liabilities and Fund Balance	
Canada Pension Plan Investment Fund Debentures	310,430
Interest payable	6,950
Fund Balance	2,290
	319,670

The CPP borrowings are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures ranging from 9.15% to 10.31% — weighted average rate of 9.60%.

Mortgages to non-profit housing organizations and universities and colleges are repayable over a period not in excess of 20 years. Interest is calculated semi-annually at various rates ranging from 9.26% to 10.31% — weighted average rate of 9.70%. Individual mortgage rates are equal to the weighted average rate payable on CPP borrowings not yet disbursed in the month the mortgages are issued.

The Fund balance of $2.3 million represents the difference between interest earned ($11.8 million) and interest expensed ($9.5 million) for the period April 4, 1989 to December 31, 1989.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements — Continued
December 31, 1989

6. LONG-TERM DEBT

The Corporation borrows funds from Canada Mortgage and Housing Corporation and the private sector to finance investments in real property. Such borrowings are repaid in accordance with agreement terms over periods not in excess of 50 years.

Interest is payable at various rates based on individual agreements ranging from 4.25% to 14.65% — weighted average rate of 9.19%.

While the Corporation is indebted for capital funds borrowed in respect of investment in Provincial housing projects, the amortization charges (principal and interest) over the life of the projects are considered operating expenses under the cost sharing agreement with Canada Mortgage and Housing Corporation. Under this agreement, Canada Mortgage and Housing Corporation contributes 50% of the amortization charges (principal and interest) and the Corporation absorbs the remaining 50%.

Principal repayments on the Long-term debt are as follows:

	($000's)
1990	10,719
1991	11,515
1992	12,372
1993	13,295
1994	14,290
Subsequent to 1994	1,076,392
	1,138,583

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1989 ($000's)	1988 ($000's)
Canada Mortgage and Housing Corporation	33,172	17,006
Other	59,271	54,149
	92,443	71,155

8. CONTRIBUTED SURPLUS

	1989 ($000's)	1988 ($000's)
Balance, beginning of year	192,020	189,035
Capital contributions received from Province	6,772	5,312
Amortization (principal portion)	(2,298)	(2,327)
Balance, end of year	196,494	192,020

9. ASSISTED HOUSING

Under the assisted housing program, the Corporation owns (either wholly or in partnership with Canada Mortgage and Housing Corporation) rental properties and provides rent-geared-to-income accommodation to households in need. The management of the properties is carried out through a network of local housing authorities who act as agents of the Corporation. The loss on this program is shared with Canada Mortgage and Housing Corporation.

10. RENT SUPPLEMENT

Under the rent supplement programs, the Corporation acquires the use of rental units from the private sector and then provides rent-geared-to-income accommodation to households in need. The Corporation subsidizes the difference between the rent guaranteed to the landlord and the tenant portion of the rent. The costs for most of these programs are shared with Canada Mortgage and Housing Corporation.

11. PROVINCIAL CONTRIBUTIONS TO MUNICIPAL HOUSING

The Corporation contributed $21.6 million (1988 — $19.5 million) to the Metropolitan Toronto Housing Company Limited towards operating costs for senior citizen apartment units.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements — Concluded
December 31, 1989

12. RURAL AND NATIVE HOUSING

This program, administered by Canada Mortgage and Housing Corporation, provides subsidized home ownership to families in rural areas. Mortgage payments are geared to owners' incomes. The expense represents the Corporation's share of the subsidy provided.

13. PENSION PLAN

The Corporation provides pension benefits for substantially all permanent crown employees in local housing authorities through participation in the Public Service Superannuation Fund and Superannuation Adjustment Fund established by the Province of Ontario. The Corporation's share of contributions to these funds during the year was $3.8 million (1988 — $3.6 million). This amount represents the total obligation of the Corporation and is included in Housing operations — Assisted housing and Rent supplement expenditures in the Statement of Operations.

14. ADMINISTRATIVE SUPPORT SERVICES

The Ministry of Housing provides administration support services to the Corporation. The charge for these services is based on the estimated time spent by Ministry staff on the Corporation's activities. The administrative support services charge included in Housing operations — Assisted housing and Rent supplement expenditures amounted to $20.9 million (1988 — $21.4 million).

15. LOAN GUARANTEE AGREEMENTS

The Corporation has entered into loan guarantee agreements with lenders approved under the National Housing Act to assist non-profit housing corporations to acquire land for the development of Social Housing projects. The Province of Ontario authorized the Corporation to enter into these loan guarantee agreements with the condition that the aggregate of all guarantees outstanding at any time not exceed $100 million. As at December 31, 1989, the Corporation was committed to loan guarantees totalling $77.5 million.

16. LOAN INSURANCE AGREEMENTS

The Corporation has entered into loan insurance agreements with Canada Mortgage and Housing Corporation (CMHC) pertaining to various projects under the Non-Profit Housing Program administered by the Ministry of Housing. Under these agreements, CMHC will provide insurance on mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for its share of all net costs incurred as a result of loan defaults. As at December 31, 1989, there were no loans in default under these agreements.

To the Ontario Housing Corporation and
to the Minister of Housing

I have examined the balance sheet of the Ontario Housing Corporation as at December 31, 1989 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
May 4, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

ONTARIO HYDRO

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ontario Hydro are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. The significant accounting policies followed by Ontario Hydro are described in the Summary of Significant Accounting Policies. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to March 12, 1990. The information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors.

The financial statements have been examined by Ernst & Young, independent external auditors appointed by the Lieutenant Governor in Council of Ontario. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report, which appears below, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee meets periodically with management, the internal auditors and the external auditors to satisfy itself that each group has properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The external auditors have direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Ontario Hydro's financial reporting and the effectiveness of the system of internal controls.

On behalf of Management

Chairman, President and Chief Executive Officer	Senior Vice-President Finance and Services

Toronto, Canada,
March 12, 1990

AUDITORS' REPORT

To the Board of Directors of Ontario Hydro:

We have examined the statement of financial position of Ontario Hydro as at December 31, 1989 and the statements of operations, accumulated debt retirement appropriations, reserve for stabilization of rates and contingencies and source of cash used for investment in fixed assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of Ontario Hydro as at December 31, 1989 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 12, 1990

Ernst & Young
Chartered Accountants

ONTARIO HYDRO

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. The significant accounting policies followed by Ontario Hydro are described below.

Rate setting

Ontario Hydro has broad powers to generate, supply and deliver electric power throughout the Province of Ontario. The Corporation operates under the Power Corporation Act and is subject to provisions of the Ontario Energy Board Act.

Under the provisions of the Power Corporation Act, the price payable by municipal corporations is the cost of operating and maintaining the system, depreciation, interest, and the amounts appropriated for debt retirement and stabilization of rates and contingencies. The debt retirement appropriation is the amount required under the Act to accumulate on a sinking fund basis over 40 years a sum equal to the debt incurred for the cost of the fixed assets in service. The appropriation for, or withdrawal from, the stabilization of rates and contingencies reserve is an amount established to maintain a sound financial position and to stabilize the effect of cost fluctuations.

Under the provisions of the Ontario Energy Board Act, a public hearing before the Ontario Energy Board is required in respect of any changes in electricity rates proposed by Ontario Hydro which affect its municipal utilities, direct industrial customers, or, if the Minister of Energy so directs, rural retail customers. The Ontario Energy Board submits its recommendations to the Minister of Energy. After considering the recommendations of the Ontario Energy Board, the Board of Directors of Ontario Hydro, under the authority of the Power Corporation Act, establishes the electricity rates to be charged to customers.

If the Board of Directors specifies an amount related to a certain transaction be included in future electricity rates that, in accordance with the accounting policies summarized below, would be charged or credited to operations in the current year, then this amount is deferred and amortized to future operations on a basis consistent with its inclusion in rates.

Fixed assets

Fixed assets in service include operating facilities and non-operating reserve facilities. Construction in progress includes fixed assets under construction and heavy water held for use in nuclear generating stations under construction.

Fixed assets are capitalized at cost which comprises material, labour, engineering costs, overheads, depreciation on service equipment, interest applicable to capital construction activities, and for new facilities, the costs of training initial operating staff. In the case of generation facilities, the cost also includes the net cost of commissioning which comprises the cost of start-up less the value attributed to energy produced by generation facilities during their commissioning period. For multi-unit facilities, a proportionate share of the cost of common facilities is placed in service with each major operating unit. The cost of heavy water comprises the direct cost of production and applicable overheads, as well as interest and depreciation on the heavy water production facilities and the estimated removal costs of these facilities. Leases which transfer the benefits and risks of ownership of assets to Ontario Hydro are capitalized.

Interest is capitalized on construction in progress at rates (1989 - 10.9 per cent, 1988 - 10.8 per cent) which approximate the average cost of long-term funds borrowed in the years in which expenditures have been made for fixed assets under construction. If the construction period of a project is extended and the construction activities are continued, interest is capitalized during the period of extension provided that the project has a reasonable expectation of being completed.

If a project is cancelled or deferred indefinitely with a low probability of construction being resumed, all costs including the costs of cancellation are written off to operations.

If fixed assets are removed from operations and mothballed for future use, termed non-operating reserve facilities, the costs of mothballing are charged to operations.

Depreciation

The capital costs of fixed assets in service are depreciated on a straight-line basis. Depreciation rates for the various classes of assets are based on their estimated service lives. Major components of generating stations are depreciated over the lesser of the service life expectancy of the component or the remaining service life of the associated generating station.

The estimated service lives of assets in the major classes are:

Generating stations	
- hydraulic	- 65 to 100 years
- fossil	- 40 years (1988 - 30 to 35 years)
- nuclear	- 40 years
Heavy water	- over the period ending in the year 2040
Transmission and distribution facilities	- 20 to 55 years
Heavy water production facilities	- 20 years
Administration and service facilities	- 5 to 65 years

In accordance with group depreciation practices, for normal retirements the cost of fixed assets retired is charged to accumulated depreciation with no gain or loss being reflected in operations. However, gains and losses on sales of fixed assets, and losses on premature retirements are charged to operations in the year incurred as adjustments to depreciation expense.

When the costs of removal less residual value, termed removal costs, on retirements of fixed assets can be reasonably estimated and are significant, provisions for these costs, except for those related to heavy water production facilities, are charged to depreciation expense on an annuity basis over the remaining service life of the related fixed assets. For heavy water production facilities, provisions for removal costs are charged to heavy water production costs on a straight-line basis over the remaining service life of the related facilities. Other removal costs are charged to depreciation expense as incurred. Removal costs include the estimated costs of decommissioning nuclear and fossil stations and heavy water production facilities, and the estimated costs of removing certain nuclear reactor fuel channels.

The estimated service lives of fixed assets and the significant assumptions underlying the estimates of fixed asset removal costs are subject to periodic review. Any changes arising out of such a review are implemented on a remaining service life basis from the year the changes can be first reflected in electricity rates.

Non-operating reserve facilities are amortized so that any estimated loss in value is charged to depreciation expense on a straight-line basis over their expected non-operating period.

Unamortized advances for fuel supplies

As part of its program to ensure the adequate supply of fuels for its generating stations, Ontario Hydro has entered into long-term fuel supply contracts. Where these contracts require Ontario Hydro to make payments for pre-production costs to suppliers in advance of the fuel delivery, these payments and associated costs, including interest, are carried in the accounts as unamortized advances for fuel supplies. The advances are amortized to fuel inventory as the fuels are delivered.

Fuel for electric generation

Fuel used for electric generation comprises the average inventory costs of fuel consumed, charges for commissioning energy produced, and provisions for disposal of nuclear fuel irradiated during the period. The inventory cost of fuel consumed comprises fuel purchases, transportation and handling costs, and the amortization of advances for fuel supplies.

Transportation costs include charges for interest and depreciation on railway equipment owned by Ontario Hydro. The charges for commissioning energy produced during the period represent the incremental operating and fuel costs of producing the same quantity of energy at generating units displaced because of the commissioning activity. The costs for disposal of nuclear fuel irradiated in each period are charged to operations based on estimated future expenditures and interest accumulating to the estimated date of disposal. Estimates of expenditures, interest and escalation rates, and the date of disposal are subject to periodic review. Adjustments resulting from changes in estimates are charged to operations on an annuity basis over the period from the year the changes can be first reflected in electricity rates to the estimated in-service date of the disposal facility.

Foreign currency translation

Current monetary assets and liabilities in foreign currencies are translated to Canadian currency at year-end rates of exchange and the resultant exchange gains or losses are credited or charged to operations. Long-term debt payable in foreign currencies is translated to Canadian currency at year-end rates of exchange. Resulting unrealized exchange gains or losses are deferred and included in unamortized debt costs, and are amortized to operations on an annuity basis over the remaining life of the related debt.

Foreign exchange gains or losses on hedges of long-term debt payable in foreign currencies are deferred and included in unamortized debt costs. The deferred gains or losses related to principal payments are amortized to operations on an annuity basis over the remaining period to the year in which the hedged principal payments are due. The deferred gains or losses related to interest payments are credited or charged to operations in the year in which the hedged interest payments are due.

Foreign exchange gains or losses on early redemption of long-term debt are deferred and included in unamortized debt costs if the exposure in the foreign currency related to the redeemed debt is not reduced as a result of the refinancing of the redeemed debt in the same currency. These deferred gains or losses are amortized on an annuity basis over the period to the original maturity date of the redeemed debt. If the foreign currency exposure is reduced as a result of the early redemption of debt, the resulting foreign exchange gains or losses related to the redeemed debt are credited or charged to operations.

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Unamortized debt costs

Unamortized debt costs include the unamortized amounts related to unrealized foreign exchange gains or losses resulting from the translation of foreign currency long-term debt, foreign exchange gains or losses on hedges, foreign exchange gains or losses on the early redemption of long-term debt, discounts or premiums arising from the issuance of debt or the acquisition of debt prior to maturity, and discounts or premiums accrued on foreign currency hedges.

Debt discounts or premiums arising from the issuance of debt are amortized over the period to maturity of the debt. Discounts or premiums on debt acquired prior to the date of maturity are amortized over the period from the acquisition date to the original maturity date of the debt. Discounts or premiums on foreign currency hedges are credited or charged to operations over the terms of the individual hedges.

Nuclear agreement - payback

Ontario Hydro, Atomic Energy of Canada Limited and the Province of Ontario are parties to a joint undertaking for the construction and operation of units 1 and 2 of Pickering Nuclear Generating Station, with ownership of these units being vested in Ontario Hydro. Contributions to the capital cost by Atomic Energy of Canada Limited and the Province of Ontario amounted to $258 million and these have been deducted in arriving at the value of fixed assets in service in respect of Pickering units 1 and 2. Ontario Hydro is required to make monthly payments, termed "payback", until the year 2003 to each of the parties in proportion to their capital contributions. Payback represents in a broad sense the net operational advantage of having the power generated by Pickering units 1 and 2 as compared with coal-fired units similar to Lambton units 1 and 2.

During the 1983 through 1988 shutdown period for replacement of pressure tubes in Pickering units 1 and 2, the payback calculations resulted in negative payback amounts. These amounts have been credited against the cost of operations over the shutdown period and the accumulated amounts, plus interest, are included in the accounts as long-term accounts receivable. The accumulated negative payback amounts, plus interest, are to be offset against future positive payback amounts payable over the remaining term of the Agreement to Atomic Energy of Canada Limited and to the Province of Ontario, commencing with the return to operation of the last of the two units in November 1988.

Pension plan

The pension plan is a contributory, defined benefit plan covering all regular employees of Ontario Hydro. Pension costs for accounting purposes are actuarially determined based on the assumptions that reflect management's best estimate of the effect of future events on the actuarial present value of accrued pension benefits, and the valuation of pension plan assets using a five-year market value average. Pension plan surpluses and deficiencies are amortized on an annuity basis over the expected average remaining period of service of the employees covered by Ontario Hydro's pension plan.

Research and development

Research and development costs are charged to operations in the year incurred, except for those related directly to the design or construction of a specific capital facility which are capitalized as part of the facility.

ONTARIO HYDRO

STATEMENT OF OPERATIONS

for the year ended December 31, 1989	1989	1988
	millions of dollars	
Revenues		
Primary power and energy		
Municipal utilities	4,209	3,824
Rural retail customers	1,256	1,103
Direct industrial customers	790	730
	6,255	5,657
Secondary power and energy (note 1)	91	156
	6,346	5,813
Costs		
Operation, maintenance and administration	1,534	1,354
Fuel used for electric generation	1,132	1,122
Power purchased	230	57
Nuclear agreement - payback	1	11
Provincial government levies (note 2)	177	91
Depreciation (note 3)	845	811
	3,919	3,446
Income before financing charges	2,427	2,367
Interest (note 4)	1,697	1,740
Foreign exchange (note 5)	31	1
	1,728	1,741
Net income	699	626
Appropriation for:		
Debt retirement	357	341
Stabilization of rates and contingencies	342	285
	699	626

See accompanying summary of significant accounting policies and notes to financial statements.

ONTARIO HYDRO

STATEMENT OF FINANCIAL POSITION

as at December 31, 1989	**1989**	1988
	millions of dollars	
Assets		
Fixed assets (note 6)		
Fixed assets in service	**27,786**	26,918
Less accumulated depreciation	**7,017**	6,289
	20,769	20,629
Construction in progress	**11,593**	9,346
	32,362	29,975
Current assets		
Cash and temporary investments	–	312
Accounts receivable	**788**	663
Fuel for electric generation (note 7)	**1,108**	1,113
Materials and supplies, at cost	**339**	332
	2,235	2,420
Other assets		
Unamortized debt costs	**218**	324
Unamortized advances for fuel supplies (note 8)	**728**	755
Unamortized deferred costs (note 9)	**313**	401
Long-term accounts receivable and other assets	**421**	483
	1,680	1,963
	36,277	34,358

See accompanying summary of significant accounting policies and notes to financial statements.

ONTARIO HYDRO

	1989	1988
	millions of dollars	
Liabilities		
Long-term debt (note 10)	25,141	24,240
Current liabilities		
Bank indebtedness (note 11)	356	–
Accounts payable and accrued charges	919	664
Short-term notes payable	–	500
Accrued interest	742	714
Long-term debt payable within one year	1,661	1,665
	3,678	3,543
Other liabilities		
Long-term accounts payable and accrued charges	222	216
Accrued fixed asset removal and irradiated fuel disposal costs (note 12)	949	771
	1,171	987
Contingencies (notes 8 and 14)		
Equity		
Accumulated debt retirement appropriations	3,927	3,570
Reserve for stabilization of rates and contingencies	2,233	1,891
Contributions from the Province of Ontario as assistance for rural construction	127	127
	6,287	5,588
	36,277	34,358

On behalf of the Board

RG Franklin

Chairman, President and
Chief Executive Officer

Vice-Chairman

Toronto, Canada,
March 12, 1990

ONTARIO HYDRO

STATEMENT OF ACCUMULATED DEBT RETIREMENT APPROPRIATIONS

for the year ended December 31, 1989

	Municipal Utilities	Power District (Rural Retaial and Direct Industrial Customers)	Total	
			1989	1988
		millions of dollars		
Balances at beginning of year	2,478	1,092	**3,570**	3,229
Appropriation	241	116	**357**	341
Balances at end of year	2,719	1,208	**3,927**	3,570

STATEMENT OF RESERVE FOR STABILIZATION OF RATES AND CONTINGENCIES

for the year ended December 31, 1989

	Held for the benefit of all customers	Held for the benefit of (or recoverable from) certain groups of customers			Total	
		Municipal Utilities	Rural Retail Customers	Direct Industrial Customers	**1989**	1988
				millions of dollars		
Balances at beginning of year	1,906	1	(15)	(1)	**1,891**	1,606
Appropriation	311	–	28	3	**342**	285
Balances at end of year	2,217	1	13	2	**2,233**	1,891

See accompanying summary of significant accounting policies and notes to financial statements.

ONTARIO HYDRO

STATEMENT OF SOURCE OF CASH USED FOR INVESTMENT IN FIXED ASSETS

for the year ended December 31, 1989	**1989**	1988
	millions of dollars	
Cash provided from operations (note 13)	**1,705**	1,368
Cash provided from financing		
Long-term debt issued	**3,221**	3,402
Change in short-term notes payable issued for debt management purposes - (decrease)	**(500)**	-
	2,721	3,402
Less long-term debt retired	**2,059**	1,827
Cash provided from financing	**662**	1,575
Cash used for investment in other assets (note 13)	**(43)**	(45)
Cash provided from operations, financing and other activities	**2,324**	2,898
Changes in cash and cash equivalents - decrease (increase) (note 13)	**668**	(225)
Cash used for investment in fixed assets	**2,992**	2,673
Changes in accounts payable and accrued charges affecting investment in fixed assets - increase	**103**	16
Investment in fixed assets (note 13)	**3,095**	2,689

See accompanying summary of significant accounting policies and notes to financial statements.

ONTARIO HYDRO

NOTES TO FINANCIAL STATEMENTS

1. Secondary power and energy

Secondary power and energy revenues include $87 million (1988 - $153 million) from sales of electricity to United States utilities.

2. Provincial government levies

	1989	1988
	millions of dollars	
Provincial water rentals	95	91
Provincial debt guarantee fee	82	–
	177	91

Provincial government levies are the amounts charged by the Ontario Provincial Government for the debt guarantee fee and water rentals.

Provincial water rentals
Provincial water rentals are the amounts paid to the Province of Ontario for the use of water for hydraulic generation.

Provincial debt guarantee fee
In May 1989, the Province of Ontario legislated that Ontario Hydro is required to pay to the Province an annual debt guarantee fee of one half of one per cent on the total outstanding debt guaranteed by the Province as of the preceding December 31. For 1989, the fee of $82 million dollars reflects the fact that the fee came into effect in May 1989.

3. Depreciation

	1989	1988
	millions of dollars	
Depreciation of fixed assets in service	792	774
Amortization of deferred costs	40	40
Fixed asset removal costs		
- provision for fuel channel removal costs	77	39
- provision for decommissioning costs	33	34
- other removal costs	22	25
	964	912
Less:		
Depreciation charged to		
- heavy water production	51	51
- construction in progress	53	44
- fuel for electric generation	2	2
Net gain on sales of fixed assets	13	4
	119	101
	845	811

4. Interest

	1989	1988
	millions of dollars	
Interest on bonds, notes, and other debt	2,932	2,780
Interest on accrued fixed asset removal and irradiated fuel disposal costs	84	65
	3,016	2,845
Less:		
Interest charged to		
- construction in progress	1,016	856
- heavy water production	77	66
- fuel for electric generation	82	90
Interest earned on investments	144	93
	1,319	1,105
	1,697	1,740

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5. Foreign exchange

	1989	1988
	millions of dollars	
Amortization of foreign exchange gains and losses	**(52)**	(61)
Net exchange loss on other foreign transactions	**83**	62
	31	1

6. Fixed assets

		1989	
	Assets in Service	Accumulated Depreciation	Construction in Progress
		millions of dollars	
Generating stations			
- hydraulic	**1,823**	**667**	**51**
- fossil	**3,732**	**1,530**	**160**
- nuclear	**10,874**	**1,785**	**8,837**
Heavy water	**2,507**	**294**	**1,310**
Transmission and distribution	**6,187**	**1,641**	**1,122**
Heavy water production facilities	**1,127**	**488**	**–**
Administration and service facilities	**1,426**	**603**	**98**
	27,706	**7,017**	**11,583**

		1988	
	Assets in Service	Accumulated Depreciation	Construction in Progress
		millions of dollars	
Generating stations			
- hydraulic	1,699	620	33
- fossil	3,707	1,447	66
- nuclear	10,805	1,474	7,258
Heavy water	2,447	252	1,140
Transmission and distribution	5,663	1,511	730
Heavy water production facilities	1,126	445	–
Administration and service facilities	1,271	532	119
	26,718	6,299	9,346

Fossil generating stations in service include non-operating reserve facilities. As at December 31, 1989, substantially all of the undepreciated cost of the non-operating reserve facilities pertained to Lennox unit 3. On December 29, 1989, Lennox unit 3 returned to operation.

A major portion of the construction in progress as at December 31, 1989, relates to the construction program for the Darlington Nuclear Generating Station. The costs associated with this construction program, including heavy water, amounted to $9,985 million as at December 31, 1989 (1988 - $8,209 million). The four generating units at Darlington are planned to be placed in service over the period 1990 through 1992 and will provide 3,524 megawatts of dependable capacity. The estimated cost to complete the Darlington construction program is $2,526 million, including cost escalation and interest of approximately $1,502 million. Cost escalation and interest are forecast to average 5% and 10.5% per year, respectively, over the period 1990 to 1992. Because of the uncertainties associated with long construction lead times and planned in-service dates, the estimated cost to complete is subject to change.

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7. Fuel for electric generation

	1989	1988
	millions of dollars	
Inventories		
- uranium	700	668
- coal	396	418
- oil	12	27
	1,108	1,113

8. Unamortized advances for fuel supplies

	1989	1988
	millions of dollars	
Uranium		
- Rio Algom Limited	406	414
- Denison Mines Limited	322	334
	728	748
Coal	-	7
	728	755

Unamortized advances for fuel supplies are recovered as fuel is delivered. Over the next five years, the amortization of advances for uranium supplies will be about $35 million for the contract with Rio Algom Limited and about $64 million for Denison Mines Limited.

Ontario Hydro has long-term contracts with Denison Mines Limited and Rio Algom Limited for uranium supplies through to 2012 and 2027, respectively. Ontario Hydro's current forecast of the annual requirements for uranium is about 1,700 megagrams for 1990, increasing to about 1,800 megagrams by 1994. The uranium inventory as at December 31, 1989, plus the contracted deliveries through to the end of 1993 exceed the forecasted requirements to the end of 1993 by about 400 megagrams. Starting in 1994 through to 2012, contracted deliveries exceed forecasted requirements of the nuclear generating facilities currently in service and under construction by about 1,000 megagrams per year. Ontario Hydro's options for managing the oversupply include resale of the uranium and, under specified conditions, cancellation or renegotiation of the contracts. In the event that a contract is cancelled, the supplier is not required to refund any outstanding advances. At this time, the outcome with respect to managing the oversupply of uranium is not determinable.

9. Unamortized deferred costs

	1989	1988
	millions of dollars	
Bruce Heavy Water Plant "D"	148	185
Wesleyville Generating Station	10	15
	158	200
Fuel oil contract	87	116
Coal Purchase Agreement	68	85
	313	401

Unamortized deferred costs are amounts that the Board of Directors, under its rate setting authority, has determined be deferred and amortized for recovery through electricity rates on a straight-line basis over a specified period of years. The nature of these costs are described below.

- Bruce Heavy Water Plant "D" is an indefinitely deferred project with a low probability of construction being resumed. The capital cost of this project and the unamortized deferred costs associated with the cancelled Wesleyville Generating Station project are being amortized over the period 1984 through 1993. Accordingly, $40 million was charged to depreciation in 1989.

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9. Unamortized deferred costs (continued)

- Under the terms of the settlement reached by Ontario Hydro and Petrosar Limited in 1987 with respect to a fuel oil contract, Ontario Hydro paid $150 million to Petrosar Limited and the parties released each other from all obligations and claims related to the contract. The net cost of this settlement is being amortized over the period 1988 through 1992. Accordingly, $29 million was charged to fuel used for electric generation in 1989.
- In November 1987, Ontario Hydro provided USX Corporation with notification of cancellation of the Coal Purchase Agreement pursuant to the three year notice period provision in the Agreement. On cancellation of the Agreement, USX Corporation is not required to refund any outstanding pre-production payments made in advance of the coal deliveries to Ontario Hydro. The outstanding advances and associated costs as at the date of cancellation of the Agreement were estimated to be $85 million and are to be amortized over the period 1989 through 1993. Accordingly, during 1989, $17 million was charged to fuel used for electric generation. In December 1989, Ontario Hydro and USX Corporation agreed to cancel the Agreement as of December 31, 1989 and the net cost of settlement payable by Ontario Hydro was charged to fuel used for electric generation in 1989.

10. Long-term debt

	1989	1988
	millions of dollars	
Bonds and notes payable	26,694	25,775
Other long-term debt	108	130
	26,802	25,905
Less payable within one year	1,661	1,665
	25,141	24,240

Bonds and notes payable, expressed in Canadian dollars, are summarized by years of maturity and by the currency in which they are payable in the following table:

	1989				1988	
Years of Maturity		Principal Outstanding		Weighted Average Coupon Rate	Principal Outstanding Total	Weighted Average Coupon Rate
	Canadian	Foreign	Total			
		millions of dollars		*per cent*	*millions of dollars*	*per cent*
1989	–	–	–		1,644	
1990	1,018	621	1,639		1,668	
1991	1,372	273	1,645		1,675	
1992	1,136	900	2,036		1,910	
1993	2,781	41	2,822		2,587	
1994	1,328	563	1,891		–	
1 - 5 years	7,635	2,398	10,033	11.0	9,484	10.9
6 - 10 years	4,868	548	5,416	9.6	5,256	10.2
11 - 15 years	3,084	567	3,651	11.6	3,245	11.9
16 - 20 years	3,023	2,345	5,368	10.0	4,726	9.8
21 - 25 years	1,326	900	2,226	13.5	3,064	12.6
	19,936	6,758	26,694	10.8	25,775	10.9

Currency in which payable:

	1989	1988
Canadian dollars	19,936	17,905
United States dollars	6,753	7,858
United Kingdom pounds sterling	5	12
	26,694	25,775

Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province of Ontario.

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10. Long-term debt (continued)

Bonds and notes payable in United States dollars include Canadian $5,096 million (1988 - Canadian $5,689 million) of Ontario Hydro bonds held by the Province of Ontario and having terms identical with Province of Ontario issues sold in the United States on behalf of Ontario Hydro.

Ontario Hydro has entered into financial arrangements to hedge a portion of the foreign currency exposure related to principal and interest payments with respect to long-term debt and these arrangements are primarily in forward exchange contracts. These contracts amounted to United States $1,995 million as at December 31, 1989 (1988 - United States $2,198 million), having a weighted average Canadian dollar exchange rate of 1.26 (1988 - 1.26).

These financial arrangements hedge principal and interest payments amounting to United States $876 million due in 1990 and the remaining United States $1,119 million hedge principal and interest payments due over the period 1991 through 1998.

Ontario Hydro has entered into interest rate swap arrangements amounting to Canadian $120 million in notional principal as at December 31, 1989 (1988 - Canadian $1,380 million), expiring in 1991 through 1994 (1988 - 1989 to 1993). These arrangements have effectively converted fixed interest rates on long-term debt, having a weighted average coupon rate of 11.2% (1988 - 10.0%), to variable interest rates which are adjusted quarterly to the prevailing Canadian bankers' acceptance rate.

Other long-term debt	Years of Maturity	Interest Rate	**1989**	1988
		per cent	*millions of dollars*	
Balance due to Atomic Energy of Canada Limited on purchase of Bruce Heavy Water Plant "A"	1992	7.8	**67**	87
Capitalized lease obligation for the Head Office building, payable in U.S. dollars	2005	8.0	**40**	42
Capitalized lease obligations for transport and service equipment	1990 to 1994	6.5 to 11.9	**1**	1
			108	130

Payments required on the above debt, excluding interest, will total $76 million over the next five years. The amount payable within one year is $22 million (1988 - $21 million).

11. Bank indebtedness

Bank indebtedness includes short-term bank lines of credit available to Ontario Hydro in the amount of $600 million. The lines of credit are unsecured and bear interest at the Canadian prime rate.

ONTARIO HYDRO

12. Accrued fixed asset removal and irradiated fuel disposal costs

	1989	1988
	millions of dollars	
Accrued fixed asset removal costs		
- accrued decommissioning costs	**267**	212
- accrued fuel channel removal costs	**250**	194
	517	406
Accrued irradiated fuel disposal costs	**432**	365
	949	771

Fixed asset removal costs

Fixed asset removal costs are the costs of removing certain fuel channels from nuclear reactors which are expected to be replaced during the life of the reactors, and the costs of decommissioning nuclear and fossil generating stations and heavy water production facilities after the end of their service lives. The significant assumptions used in estimating fixed asset removal costs were:

- removal of fuel channels in Pickering Nuclear Generating Station "A" units 3 and 4 in the 1989 to 1992 (1988 - 1997 to 2000) period, Bruce Nuclear Generating Station "A" units 1 and 2 in the 1996 to 2000 period and units 3 and 4 in the 2002 to 2010 (1988 - 2001 to 2011 for all 4 units) period, Pickering "B" in the 2012 to 2017 (1988 - 2012 to 2017) period and Bruce "B" in the 2014 to 2019 (1988 - 2014 to 2020) period;
- decommissioning of nuclear generating stations in the 2042 to 2065 period on the deferred dismantlement basis (dismantlement following storage with surveillance for a 30-year period after shutdown of the reactors), and a transportation distance of 1,000 kilometres from nuclear generating facilities to disposal facilities;
- dismantlement of Bruce Heavy Water Plants "A", "B" and "D" in the 1995 to 2005 period;
- interest rates through to 2065 ranging from 10% to 11% (1988 - 10% to 11%); and
- escalation rates through to 2065 ranging from 4% to 9% (1988 - 4% to 9%).

Because of possible changes to the above factors and the methods used for decommissioning and fuel channel removal, these costs are subject to revision.

Irradiated fuel disposal costs

The significant assumptions used in estimating the future irradiated fuel disposal costs were:

- an in-service date of the year 2010 for irradiated nuclear fuel disposal facilities;
- a transportation distance of 1,000 kilometres from nuclear generating facilities to disposal facilities;
- interest rates through to the disposal date ranging from 10% to 11% (1988 - 10% to 11%); and
- escalation rates through to the disposal date ranging from 4% to 9% (1988 - 4% to 9%).

Because of the uncertainties associated with the technology of disposal, and the above factors, these costs are subject to change.

13. Statement of source of cash used for investment in fixed assets

The Statement of Source of Cash Used for Investment in Fixed Assets reports the investment in fixed assets resulting from the cash flows from operations, financing and other activities, and the effects of changes in cash and cash equivalents and changes in accounts payable and accrued charges affecting investment in fixed assets during the year. This statement focuses on the investment in fixed assets in view of Ontario Hydro's current level of construction activities which are financed from two major sources, cash provided from operations and cash provided from financing. Cash provided from financing represents the amount of cash provided from the issuance of long-term debt and the increase in the level of short-term notes payable issued for debt management purposes, less the amount of cash used to retire long-term debt.

13. Statement of source of cash used for investment in fixed assets (continued)

The components of cash provided from operations, cash provided from investment in other assets, and changes in cash and cash equivalents, defined to be cash and temporary investments net of short-term notes payable issued for cash management purposes, are summarized below.

	1989	1988
	millions of dollars	
Cash provided from operations:		
Net Income	699	626
Items not requiring cash in the current year		
Depreciation	845	811
Amortization of foreign exchange gains and losses	(52)	(61)
Provision for irradiated fuel disposal costs	27	26
Nuclear agreement - payback	1	11
Other	177	120
Funds provided from operations	1,697	1,533
Changes in working capital, excluding cash and cash equivalents, and long-term accounts payable affecting operations - (increase) decrease	8	(165)
Cash provided from operations	1,705	1,368
Cash used for investment in other assets:		
Advances and related costs for fuel supplies	(3)	(2)
Less repayments and amortization of advances for fuel supplies	32	27
	29	25
Other	(72)	(70)
Cash used for investment in other assets	(43)	(45)
Changes in cash and cash equivalents:		
Cash and temporary investments - (increase) decrease	668	(223)
Short-term notes payable issued for cash management purposes - (decrease)	–	(2)
Changes in cash and cash equivalents - (increase) decrease	668	(225)
The reconciliation of the change in fixed assets during the year with the investment in fixed assets for the year is summarized below:		
Change in fixed assets	2,387	1,989
Depreciation of fixed assets in service	792	774
Less depreciation charged to heavy water production and construction in progress	(104)	(95)
	688	679
Net book value of fixed assets sold or retired	20	21
Investment in fixed assets	3,095	2,689

14. Pension, insurance and health care

Ontario Hydro's employee benefit programs include the pension plan, the group life insurance plan and the long-term disability plan. The assets of these plans and the changes in assets during the year are shown in the financial statements of The Pension and Insurance Fund and are not included in Ontario Hydro's financial statements.

Pension Plan

On October 21, 1986, the Ontario Hydro Employees' Union, Local 1000 of the Canadian Union of Public Employees – C.L.C. (OHEU) filed an application for judicial review in the Supreme Court of Ontario to determine whether Ontario Hydro was entitled to apply the pension surplus that had accumulated in Ontario Hydro's Pension Plan to meet the Corporation's contribution obligation with respect to 1986. On May 3, 1989, the Court of Appeal of the Supreme Court of Ontario rendered its decision that Ontario Hydro was not entitled to apply the pension surplus that had accumulated in the Pension Plan to meet the Corporation's contribution with respect to

ONTARIO HYDRO

14. Pension, insurance and health care (continued)

1986, being about $74 million, and ordered Ontario Hydro to contribute such amount to the Pension Plan. In compliance with the Court of Appeal decision, Ontario Hydro paid $71 million into the Pension Plan in January 1990. This amount is comprised of the amount awarded by the Court of Appeal and post-judgement interest, less a prepaid contribution. The amount of $71 million was charged against the accrued pension liability account in Ontario Hydro's Statement of Financial Position.

On December 22, 1989, the OHEU filed an application for judicial review in the Supreme Court of Ontario to require Ontario Hydro to comply with its statutory obligation to contribute the difference between the amount of the contributions of the employees and the amount of the cost of the pension benefits as determined by actuarial valuations for the years 1983, 1984, 1985, 1987, 1988 and 1989, plus prejudgement interest. Ontario Hydro has filed a notice of appearance in response to the application. No amount has been accrued in the 1989 financial statements to provide for the contingency with respect to these years as, at this time, the results of the judicial review are not determinable. Any amount that Ontario Hydro is required to contribute to the Pension Plan with respect to these years will be charged to the accrued pension account in the statement of financial position. In the event that the accrued pension amount does not have future benefit to Ontario Hydro as determined in accordance with the recommendations of the Canadian Institute of Chartered Accountants, it is expected that management would request the Board of Directors specify such loss in value be deferred and amortized to future operations on a basis consistent with its inclusion in electricity rates.

The pension costs for 1989 were $65 million (1988 - $40 million). In 1989, about $49 million (1988 - $30 million) of the pension costs were charged to operations and $16 million (1988 - $10 million) were capitalized.

The pension costs for 1989 were actuarially determined for accounting purposes using the following significant assumptions which take into consideration the long-term nature of the pension plan:

- rate used to discount future pension benefits - 8.50% (1988 - 8.50%);
- rate used to estimate interest cost and return on investments - 8.50% (1988 - 8.50%);
- salary escalation rate - 7.00% (1988 - 7.00%);
- rate used to estimate ad hoc improvements in pension benefits to partially offset the effect of increase in cost of living - 2.50% (1988 - 2.50%);
- average retirement age for males - 59.1 (1988 - 59.1) and for females - 60.2 (1988 - 60.2); and
- average remaining period of service of the employees - 17 years (1988 - 17 years).

Based on these assumptions, the actuarial present value of the accrued pension benefits is estimated to be $3,524 million as at December 31, 1989 (1988 - $3,182 million), and the pension plan assets available for these benefits were $3,882 million (1988 - $3,451 million).

Group Life Insurance Plan

The group life insurance plan had assets of $21 million as at December 31, 1989 (December 31, 1988 - $25 million). Effective April 1, 1986, the assets are being used to pay both the employee and employer insurance premiums for all members of the plan until such time as the assets are fully utilized.

Group Health Care Plan

Ontario Hydro provides a group health care plan to its employees. In 1989, the cost of providing these benefits was $53 million (1988 - $52 million).

Post Employment Benefits

In addition to pension benefits, Ontario Hydro provides group life insurance and health care benefits to its retired employees and, in certain cases, their surviving spouses and unmarried dependents. The cost of providing the group life insurance and health care benefits is charged to operations as incurred. In 1989, the cost of providing these benefits was $12 million (1988 - $11 million).

15. Research and development

In 1989 approximately $112 million of research and development costs were charged to operations and $10 million were capitalized (1988 - $88 million and $22 million, respectively).

16. Comparative figures

Certain of the 1988 comparative figures in the Statement of Operations have been reclassified to conform with the 1989 financial statement presentation.

ONTARIO INTERNATIONAL CORPORATION

Balance Sheet
as at March 31, 1990

ASSETS

	1990 ($000's)	1989 ($000's)
Cash and short term investments	335	582
Accounts receivable and accrued interest	179	151
	514	733

LIABILITIES

	1990 ($000's)	1989 ($000's)
Accounts payable and accrued liabilities	118	402

EQUITY

	1990 ($000's)	1989 ($000's)
Retained income	316	251
Contribution from the Province of Ontario (note 3)	80	80
	396	331
	514	733

See accompanying notes to financial statements.

On behalf of the Corporation :

Chairman

President

To the Ontario International Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of the Ontario International Corporation as at March 31, 1990 and the statement of operations and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations for the year then ended in accordance with the accounting policy described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
July 27, 1990

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

ONTARIO INTERNATIONAL CORPORATION

Statement of Operations and Retained Income
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
Contract revenue (note 4)	1,962	2,370
Contract expenditure (note 4)	1,953	2,368
Net contract revenue	9	2
Administrative Expenses		
Salaries and benefits	1,618	1,402
Transportation and communication	390	354
Services	323	324
Supplies and equipment	96	100
Trade Expansion Fund — forgivable loans	1,460	1,238
Ambassador Program	48	
	3,935	3,418
Loss from operations	3,926	3,416
Other income	56	56
Recovery from the Province of Ontario (note 5)	3,935	3,418
	3,991	3,474
Net income	65	58
Retained income, beginning of year	251	193
Retained income, end of year	316	251

See accompanying notes to financial statements.

Notes to Financial Statements
March 31, 1990

1. PURPOSE OF THE CORPORATION

The Ontario International Corporation was established:

- to assist the private sector in Ontario to sell its consulting expertise, capital goods and training services in the world's markets;
- to promote and support the marketing of Ontario's public sector expertise and systems internationally in conjunction with the private sector; and
- to provide intergovernmental contact and an Ontario government presence in support of the export of professional services and goods associated with capital projects.

2. SIGNIFICANT ACCOUNTING POLICY

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for fixed assets which are expensed when purchased, and administrative expenses which are recognized on a cash basis modified to allow an additional twenty-four days to pay for debts pertaining to the fiscal year just ended.

ONTARIO INTERNATIONAL CORPORATION

Notes to Financial Statements — Concluded
March 31, 1990

3. CONTRIBUTION FROM THE PROVINCE OF ONTARIO

The contribution from the Province of Ontario relates to the net assets acquired from the Ontario Educational Services Corporation for which no consideration was paid.

4. CONTRACT REVENUE AND EXPENDITURE

In instances where government-to-government contracts provide a competitive advantage, the Corporation acts as a prime contractor on behalf of Ontario exporters. Contract revenue and expenditure relate to moneys received under these contracts and payment of these funds to Ontario exporters respectively.

5. RECOVERY FROM THE PROVINCE OF ONTARIO

Administrative expenses and Trade Expansion Fund forgivable loans and the Ambassador Program are recovered from the Ministry of Industry, Trade and Technology out of moneys appropriated therefore by the Legislature of the Province of Ontario.

6. PENSION PLAN

The Corporation provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was $78,000 (1989 — $104,000) and is included in salaries and employee benefits in the Statement of Operations. This amount includes current contributions and additional payments required to cover the Corporation's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next forty years.

7. COMMITMENTS

Forgivable loans committed but not disbursed as at March 31, 1990, amounted to $1 million (1989 - $1.1 million). Disbursement of these loans is subject to the satisfactory completion by loan applicants of their agreements with the Corporation.

8. FUTURE OPERATIONS

Present enabling legislation expires December 31, 1991. Continued operations of the Corporation are dependent upon future legislation.

THE ONTARIO JUNIOR FARMER ESTABLISHMENT LOAN CORPORATION

Balance Sheet
as at March 31, 1990

ASSETS

	1990 $	1989 $
Cash — general	73,950	76,493
— funds held in trust	87,046	110,857
Mortgage loans		
— interest due and accrued	753,402	845,505
— principal	18,945,248	22,582,893
	19,859,646	23,615,748

LIABILITIES

Funds held in trust	87,046	110,857
Capital advances due to the Treasurer of Ontario including accrued interest	19,772,600	23,504,891
	19,859,646	23,615,748

See accompanying notes to financial statements.

On behalf of the Board:

Chairman

Member

To The Ontario Junior Farmer Establishment Loan Corporation,
to the Minister of Agriculture and Food, and
to the Treasurer of Ontario.

I have examined the balance sheet of The Ontario Junior Farmer Establishment Loan Corporation as at March 31, 1990 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
May 10, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

THE ONTARIO JUNIOR FARMER ESTABLISHMENT LOAN CORPORATION

Statement of Operations
for the year ended March 31, 1990

	1990 $	1989 $
Revenue		
Mortgage interest (note 3)	1,045,133	1,231,147
Miscellaneous	7,803	8,673
	1,052,936	1,239,820
Expense (note 4)		
Interest on capital advances — Treasurer of Ontario (note 3)	1,422,600	1,674,890
Operating loss for the year	369,664	435,070
Contribution by the Treasurer of Ontario (note 5)	369,664	435,070

See accompanying notes to financial statements.

Notes to Financial Statements
March 31, 1990

1. STATUS OF CORPORATION

The Corporation has not accepted any new mortgage loan applications since 1969 and the final mortgage instalments on outstanding loans are payable in 1999.

2. ACCOUNTING POLICY

The financial statements have been prepared by management in accordance with generally accepted accounting principles.

3. INTEREST ON MORTGAGES AND CAPITAL ADVANCES

Interest earned by the Corporation on its mortgage loans is fixed by legislation and averages approximately 5 per cent per annum. Interest payable by the Corporation on capital advances from the Treasurer of Ontario has been established by the Treasurer of Ontario at 6.7 per cent. This interest differential is the reason for the Corporation's operating loss.

4. ADMINISTRATION EXPENSES

Salaries of the Corporation's staff and sundry administrative costs have been absorbed by the Ministry of Agriculture and Food and are not included in the statement of operations.

5. CONTRIBUTION BY THE TREASURER OF ONTARIO

The cost of the loan program, which is represented by the net operating loss for the year, is paid out of moneys appropriated therefor by the Legislature. The payable due to the Treasurer represents the excess of advances received during the year over the current year's actual operating loss.

ONTARIO LOTTERY CORPORATION

Balance Sheet
as at March 31, 1990

ASSETS

	1990 ($000's)	1989 ($000's)
Current assets		
Cash	7,593	19,335
Prize funds on deposit	67,182	48,138
Due from Interprovincial Lottery Corporation		5,304
Accrued interest	1,115	696
Accounts receivable	7,148	4,767
Prepaid expenses	4,567	1,836
	87,605	80,076

LIABILITIES

	1990 ($000's)	1989 ($000's)
Current liabilities		
Prize money unclaimed	67,182	48,138
Net profits due to Treasurer of Ontario	2,613	1,835
Accounts payable and accrued liabilities	11,647	14,702
Due to Interprovincial Lottery Corporation	2,691	
Deferred income	3,472	15,401
	87,605	80,076

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

To the Board of Directors of the Ontario Lottery Corporation and
to the Minister of Tourism and Recreation.

I have examined the balance sheet of the Ontario Lottery Corporation as at March 31, 1990 and the statements of operations and net profits due to Treasurer of Ontario for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations for the year then ended in accordance with the accounting policy described in note 2(a) to the financial statements applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
June 29, 1990.

D.F. Archer, F.C.A.,
Provincial Auditor.

ONTARIO LOTTERY CORPORATION

Statement of Operations
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
Sales		
Cash ticket sales	1,319,623	1,300,606
Free tickets	63,833	77,299
	1,383,456	1,377,905
Prizes and commissions		
Prizes (note 3)	622,149	608,290
Free tickets	63,833	77,299
Commissions — retailers and distributors	101,215	102,354
	787,197	787,943
Sales less prizes and commissions	596,259	589,962
Operating expenses		
Administration and other expenses	48,254	42,356
Advertising	26,213	25,797
Equipment	7,993	11,223
Ticket printing	14,775	17,316
	97,235	96,692
Operating income	499,024	493,270
Interest income	9,065	6,310
Net profits (note 5)	508,089	499,580

Statement of Net Profits due to Treasurer of Ontario
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
Balance, beginning of year	1,835	2,705
Net profits (note 5)	508,089	499,580
	509,924	502,285
Less:		
Payments to Treasurer of Ontario (note 4)	491,000	485,000
Payments to Government of Canada on behalf of the Province of Ontario (note 5)	16,311	15,450
	507,311	500,450
Balance, end of year	2,613	1,835

See accompanying notes to financial statements.

ONTARIO LOTTERY CORPORATION

Notes to Financial Statements
March 31, 1990

1. NATURE OF THE CORPORATION

The Ontario Lottery Corporation was incorporated without share capital on February 6, 1975 pursuant to the Ontario Lottery Corporation Act. The Corporation is responsible for the conduct and management of lottery games in Ontario. The Wintario, Wintario Extra, Lottario, Instant, Encore and Pick 3 lotteries are conducted solely by the Corporation, whereas, the Provincial, Special Events and Lotto 6/49 lotteries are joint undertakings by all Provinces acting through the Interprovincial Lottery Corporation (ILC). The Corporation purchases tickets for the Provincial, Special Events and Lotto 6/49 lotteries from the ILC and manages their sale throughout Ontario. The Wintario lottery was changed and renamed Wintario Extra in January 1990.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles except for fixed assets which are written off to operations at the time of acquisition.

(b) Revenue recognition

Revenues are deferred on ticket sales where a draw has not taken place as of March 31.

3. PRIZES

Included in prizes is the Corporation's share of prizes for ILC games and its share of ILC's net operating expenses. These prizes and net operating expenses for the year amounted to $349.0 million (1989 — $340.1 million).

4. PAYMENTS TO TREASURER OF ONTARIO

The net profits of the Corporation less payments to the Government of Canada on behalf of the Province of Ontario are payable to the Treasurer of Ontario. During the year payments to the Treasurer of Ontario were as follows:

	1990 ($000's)	1989 ($000's)
Lotto 6/49	315,000	307,000
Instant	81,000	101,000
Lottario	44,000	45,000
Wintario & Wintario Extra	19,000	14,000
Pick 3	14,000	2,000
Provincial	10,000	13,000
Encore	7,000	—
Special Events	1,000	2,000
Super Loto	—	1,000
	491,000	485,000

5. PAYMENTS TO GOVERNMENT OF CANADA

The various provincial lottery corporations make remittances to the Government of Canada under an agreement dated August 1979. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

Prior to the current year, payments to the Government of Canada on behalf of the Province of Ontario were included in the Statement of Operations. Commencing with the current year, these payments are included in the Statement of Net Profits due to Treasurer of Ontario. The effect of this change, which was applied retroactively, increased net profits for the year by $16,311,000 (1989 — $15,450,000).

ONTARIO LOTTERY CORPORATION

Notes to Financial Statements — Concluded
March 31, 1990

6. COMMITMENTS

On July 8, 1988, the government announced its intention to relocate the majority of the Corporation's operations to Sault Ste. Marie. The Corporation's commitment with respect to the land and building to be occupied by the Corporation is estimated at $30 million based on a prepaid 20 year lease with payments anticipated in each of the next 3 years. Other costs associated with the move are anticipated in the amount of $35 million.

The Corporation also has commitments totalling $3.5 million for office space under operating leases expiring June 1995.

7. INCOME TAXES

As a Crown corporation of the Province of Ontario, the Corporation is exempted from income taxes. Accordingly, no provision for income taxes is made in the financial statements.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the 1990 presentation.

ONTARIO MORTGAGE CORPORATION

Balance Sheet
as at March 31, 1990

ASSETS	1990 ($000's)	1989 ($000's)
Mortgages (note 1)	11,680	12,980
Real estate (note 2)	913	1,297
Cash	2,801	4,146
Accounts receivable	449	523
	15,843	18,946
LIABILITIES		
Accounts payable and accrued liabilities	271	496
Dividends payable to the Treasurer of Ontario	1,033	2,177
	1,304	2,673
SHAREHOLDER'S EQUITY		
Capital Stock — Authorized and Issued 10 shares, no par value		
Contributed surplus	8,906	10,205
Retained earnings	5,633	6,068
	14,539	16,273
	15,843	18,946

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

ONTARIO MORTGAGE CORPORATION

Statement of Earnings
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
REVENUES		
Interest on mortgages	1,383	1,510
Bank interest	463	321
Gain on sale of acquired properties	556	1,240
Reduction in mortgage allowance and reserve	325	377
Administration fees	78	77
	2,805	3,525
EXPENSES		
Interest on long-term debt		111
Mortgage administration fees	148	171
	148	282
NET EARNINGS FOR THE YEAR	2,657	3,243

Statement of Retained Earnings
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
BALANCE, BEGINNING OF YEAR	6,068	5,002
NET EARNINGS FOR THE YEAR	2,657	3,243
	8,725	8,245
DIVIDENDS TO THE TREASURER OF ONTARIO	(3,092)	(2,177)
BALANCE, END OF YEAR	5,633	6,068

Statement of Contributed Surplus
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
Balance, beginning of year	10,205	10,205
Return of contributed surplus to the Treasurer of Ontario	(1,299)	
Balance, end of year	8,906	10,205

See accompanying notes to financial statements.

ONTARIO MORTGAGE CORPORATION

Summary of Significant Accounting Policies
March 31, 1990

Ontario Mortgage Corporation (OMC) was incorporated under the Corporations Act in 1968 and remained active until April 1, 1982 at which time its assets, liabilities and equity were transferred to Ontario Land Corporation (OLC). OLC ceased active operations on March 31, 1987 at which time OMC was reactivated and certain assets and liabilities of OLC were transferred to it. All outstanding shares of OMC are now held in trust for the Crown in the Right of the Province of Ontario. The Corporation returns excess funds to the Province in the form of quarterly dividends from profits, and return of contributed surplus from repayments of principal.

In response to government policy, the Corporation sold the majority of its mortgage portfolio during the year ended March 31, 1988. Portions of the remaining portfolio may be sold in the future. The Corporation has entered into an agreement with the Canada Mortgage and Housing Corporation to administer the remaining mortgages.

The Corporation administers certain housing incentive programs as an agent of the Province. Advances under these programs are reflected in the Public Accounts but are not included in the accounts of the Corporation. The Corporation also administers 1,837 land leases on behalf of the Ministry of Government Services.

Salaries, benefits, and other administrative expenses of the Corporation are absorbed by the Ministry of Government Services.

Mortgages

Mortgages are carried at estimated realizable value. This consists of the principal due plus accrued interest less allowances for defaults on uninsured mortgages and market revaluation.

Real Estate

The cost of real estate acquired upon default of mortgage loans consists of the unpaid mortgage balances together with operating costs net of rent received. These properties are subsequently sold with the intention of recovering the value of the related mortgages.

Income Recognition

Income from the sale of real estate is recognized when title passes to the purchaser.

ONTARIO MORTGAGE CORPORATION

Notes to Financial Statements
March 31, 1990

1. MORTGAGES

	1990 ($000's)	1989 ($000's)
Uninsured	14,569	16,120
Insured under the National Housing Act	171	245
Total	14,740	16,365
Mortgage Allowance (1.5% of Uninsured net of market revaluation reserve)	(175)	(194)
Market revaluation reserve	(2,885)	(3,191)
	11,680	12,980

Mortgages remaining at March 31, 1990 consist of $7,714,000 first mortgages (166 units; March 31, 1989 — 208 units) and $7,026,000 second mortgages (549 units; March 31, 1989 — 640 units). Maturity dates range up to 20 years on the first mortgages and up to 33.5 years on the second mortgages. The return ranges from 8 to 12.75 per cent.

2. REAL ESTATE

The Corporation holds 49 (March 31, 1989 — 55) acquired properties as a result of default by mortgagors. These properties consist of townhouses, condominium apartments and single family homes. During the year, 6 properties having a combined net book value of $238,000 were sold for $794,000.

3. COMPARATIVE FIGURES

The 1989 comparative figures have been reclassified where necessary to conform with the 1990 financial statement presentation.

To the Board of Directors of the Ontario Mortgage Corporation
and to the Minister of Government Services.

I have examined the balance sheet of the Ontario Mortgage Corporation as at March 31, 1990 and the statements of earnings, retained earnings and contributed surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations for the year then ended in accordance with the policies described in the Summary of Significant Accounting Policies applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
May 18, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

THE ONTARIO MUNICIPAL IMPROVEMENT CORPORATION

Balance Sheet
as at March 31, 1990

ASSETS	1990 ($000's)	1989 ($000's)
Cash	5	6
Accrued interest on investments	329	390
Long term investments, at cost (schedule)	13,093	15,575
	13,427	15,971
LIABILITIES		
Accrued interest on advances from the Treasurer of Ontario	329	390
Advances from the Treasurer of Ontario	13,098	15,581
	13,427	15,971

See accompanying schedule and notes to financial statements.

Approved on behalf of the Corporation:

Chairman

Member

To The Ontario Municipal Improvement Corporation
and to the Treasurer of Ontario.

I have examined the balance sheet of The Ontario Municipal Improvement Corporation as at March 31, 1990 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
May 13, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

THE ONTARIO MUNICIPAL IMPROVEMENT CORPORATION

Statement of Revenue and Expenditure
for the year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
REVENUE		
Interest on investments	1,578	2,369
EXPENDITURE		
Interest on advances from the Treasurer of Ontario (note 1)	1,578	2,369

See accompanying schedule and notes to financial statements.

SCHEDULE

Long Term Investments in Municipal and School Board Debentures
as at March 31, 1990

Analysis by Rate of Interest

Interest Rate %	Principal 1990 ($000's)	Principal 1989 ($000's)
7.00- 8.99	1,409	1,918
9.00-10.99	5,708	6,995
11.00-12.99	3,441	3,854
13.00-19.25	2,535	2,808
	13,093	15,575

Analysis by Years of Maturity

Years of Maturity March 31	Principal 1990 ($000's)	Principal 1989 ($000's)
1990		2,412
1991	2,424	2,419
1992	2,128	2,122
1993	1,785	1,779
1994	1,607	1,600
1995	1,549	
1- 5 years	9,493	10,332
6-10 years	2,557	3,823
11-15 years	991	1,359
16-20 years	35	44
21-25 years	17	17
	13,093	15,575

Notes to Financial Statements
March 31, 1990

1. INTEREST ON ADVANCES

Pursuant to Order in Council 775/77, interest payable by the Corporation on advances from the Treasurer of Ontario is an amount equal to the excess of revenue over expenditure for the fiscal year.

2. ADMINISTRATION EXPENSE

The cost of administration has been provided by the Ministry of Treasury and Economics without charge to the Corporation.

ONTARIO NORTHLAND

Consolidated
as at
(dollars

Assets

	1989 $	1988 $
Current Assets		
Cash and short term investments	8,374	5,545
Accounts receivable	17,619	17,268
Materials and supplies	12,869	12,673
Prepaid expenses	527	600
	39,389	36,086
Long Term Investments — at cost		
Government bonds (market value $24,727; 1988 — $38,253)	24,530	37,939
Other Assets — at cost		
Self insurance fund (note 3) (market value $2,898; 1988 — $2,463)	2,832	2,462
Bus franchises	298	298
Investment in Telesat	150	150
Deferred Pension Charge (note 2)	5,371	4,626
	8,651	7,536
Investment in Property — at cost less accumulated depreciation (schedule 1)	207,918	185,220
	280,488	266,781

See accompanying schedules and notes to consolidated financial statements.

Approved on behalf of the Commission:

M.D. Sinclair   P.A. Dyment

M.D. Sinclair,
Chairman

P.A. Dyment,
President and CEO

TRANSPORTATION COMMISSION

Balance Sheet
December 31, 1989
in thousands)

Liabilities and Equity

	1989 $	1988 $
Current Liabilities		
Accounts payable and accrued charges	20,107	23,191
Deferred Revenue (note 5)	994	1,076
Provision for Self Insurance (note 3)	2,832	2,462
Long Term Debt		
Loan from Province of Ontario non-interest bearing and with no specific terms of repayment	35,208	35,208
Province of Ontario Equity		
Contributed surplus	16,094	18,358
Retained earnings	205,253	186,486
	221,347	204,844
	280,488	266,781

To the Ontario Northland Transportation Commission and
to the Minister of Northern Development.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1989 and the consolidated statements of income and retained earnings, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
March 23, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Consolidated Statement of Income and Retained Earnings
for the year ended December 31, 1989
(dollars in thousands)

	1989 $	1988 $
Operating Revenues (schedule 2)	142,573	136,787
Operating Expenses (schedule 2)	128,437	124,691
Operating Income	14,136	12,096
Investment Income	4,773	4,254
Interest Expense	(142)	(170)
Net Income for the year	18,767	16,180
Retained Earnings, beginning of year	186,486	170,306
Retained Earnings, end of year	205,253	186,486

Consolidated Statement of Contributed Surplus
for the year ended December 31, 1989
(dollars in thousands)

	1989 $	1988 $
Balance, beginning of year	18,358	20,772
Add: Marine Services (Moosonee) barge upgrade	150	
Purchase of Air-Dale Limited		500
	18,508	21,272
Less: Depreciation	2,414	2,914
Balance, end of year	16,094	18,358

See accompanying schedules and notes to consolidated financial statements.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Consolidated Statement of Changes in Financial Position
for the year ended December 31, 1989
(dollars in thousands)

	1989 $	1988 $
Operating Activities		
Cash provided from operations (see below)	20,692	24,704
Financing Activities		
Capital reimbursement from the Province	150	500
Investing Activities		
Investment in fixed assets	(32,438)	(21,904)
Purchase of bonds	(1,190)	(8,132)
Purchase of Air-Dale Limited		(500)
Proceeds from sale of bonds	14,944	
Proceeds from sale of fixed assets	671	923
Contributory Pension Fund repayment		7,584
	(18,013)	(22,029)
Increase in cash and short term investments during the year	2,829	3,175
Cash and short term investments, beginning of year	5,545	2,370
Cash and short term investments, end of year	8,374	5,545
Cash provided from operations is derived as follows:		
Net income for the year	18,767	16,180
Add (deduct):		
Depreciation	6,655	9,887
Amortization and gain on sale of bonds	(345)	(133)
Gain on sale of fixed assets		(26)
Increase in accounts receivable	(351)	(353)
Increase in materials and supplies and prepaid expenses	(123)	(2,090)
Increase (decrease) in accounts payable	(3,084)	3,367
Amortization of deferred revenue	(82)	(197)
Increase in deferred pension charge	(745)	(1,931)
Cash provided from operations	20,692	24,704

See accompanying schedules and notes to consolidated financial statements.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

SCHEDULE 1

Schedule of Investment in Property
as at December 31, 1989
(dollars in thousands)

	1989 $	1988 $
Rail — Roadway	121,458	111,117
— Buildings	23,912	21,100
— Equipment	48,221	40,870
Telecommunications	57,096	52,843
Buses	3,162	2,663
Boats	967	927
norOntair — aircraft	15,943	15,943
— other	3,940	3,940
Star Transfer Limited — vehicles	2,169	1,558
— other	1,185	1,002
The Owen Sound Transportation Company, Limited — vessel	19,811	9,899
— other	381	381
Gross investment in property	298,245	262,243
Less accumulated depreciation	114,947	107,561
Net investment in property	183,298	154,682
Under construction	24,620	30,538
	207,918	185,220

See accompanying schedules and notes to consolidated financial statements.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

SCHEDULE 2

Schedule of Operating Revenues and Expenses
for the year ended December 31, 1989
(dollars in thousands)

	1989 $	1988 $
Rail Services		
Sales Revenue	52,210	51,647
Government Reimbursement (note 4)	20,256	19,901
Total Revenue	72,466	71,548
Expense	71,065	69,154
Income (loss) from operations	1,401	2,394
Telecommunications		
Revenue (note 6)	39,337	38,039
Expenses	26,703	27,168
Income (loss) from operations	12,634	10,871
Air Services		
Sales Revenue	10,203	7,621
Government Reimbursement (note 4)	4,500	4,338
Total Revenue	14,703	11,959
Expense	12,674	11,947
Income (loss) from operations	2,029	12
Transport/Express Services		
Revenue	5,328	5,918
Expense	6,450	6,554
Income (loss) from operations	(1,122)	(636)
Marine Services (Owen Sound)		
Sales Revenue	5,126	4,456
Government Reimbursement (note 4)		(30)
Total Revenue	5,126	4,426
Expense	5,608	4,426
Income (loss) from operations	(482)	0
Bus Services		
Revenue	5,086	4,349
Expense	5,165	4,668
Income (loss) from operations	(79)	(319)
Marine Services (North Bay)		
Revenue	283	273
Expense	506	513
Income (loss) from operations	(223)	(240)
Marine Services (Moosonee)		
Sales Revenue	85	74
Government Reimbursement (note 4)	62	66
Total Revenue	147	140
Expense	155	140
Income (loss) from operations	(8)	0

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

SCHEDULE 2

Schedule of Operating Revenues and Expenses — Concluded
for the year ended December 31, 1989
(dollars in thousands)

	1989 $	1988 $
Tourist Facilities (Hannah Bay)		
Revenue	97	135
Expense	111	121
Income (loss) from operations	(14)	14
Total Operations		
Sales Revenue	117,755	112,512
Government Reimbursement (note 4)	24,818	24,275
Total Revenue	142,573	136,787
Expense	128,437	124,691
Income (loss) from operations	14,136	12,096

See accompanying schedules and notes to consolidated financial statements.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Notes to Consolidated Financial Statements
December 31, 1989

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles. They include the accounts of the Commission and its wholly-owned subsidiaries, Star Transfer Limited, The Owen Sound Transportation Company, Limited, Air-Dale Limited and Nipissing Central Railway Company.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are valued at the most recent price paid. Used rail is shown at estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on the straight-line basis over the estimated service lives of the assets.

The estimated service lives used for principal categories of assets are as follows:

Road — main line and branches	20 to 50 years
Railway diesel locomotives	25 years
Railway cars	33 years
Vessels	30 years
Telecommunications equipment	15 years
Aircraft	10 years
Boats	20 years
Vehicles	3 years
Buses	10 years

The Province of Ontario reimburses the Commission for the cost of certain fixed assets purchased for use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to Contributed Surplus. Annual depreciation on these fixed assets is recorded as a reduction of Contributed Surplus.

(d) Income taxes

As a Crown Corporation of the Province of Ontario the Commission, and its wholly-owned subsidiaries are exempt from income taxes and accordingly no tax provision is reflected in operations.

(e) Vacation pay

The commission accounts for vacation entitlement payments on a cash basis. There is no accrual at the end of the year for vacation entitlements earned but not paid. Had these amounts been included in the accounts, current liabilities would have increased by approximately $4,480,000 (1988—$4,193,000) along with a corresponding decrease in retained earnings.

2. PENSION PLAN

The Commission is the trustee for its contributory pension plan which covers all permanent staff.

The net cost of pension benefits is actuarially determined on the basis of management's best estimates using the projected benefit method pro-rated over the service lives of employees. The net cost of pension benefits includes the amortization over the remaining service lives of the plan members of the initial net pension surplus and the 1989 experience gain. Pension plan assets were valued at a market related value based on recognizing the difference between book and market values at each year end over a five year period.

The Commission's share of the net cost of pension benefits earned by employees during the year was $1,496,000 (1988—$1,268,000). In 1989, the Commission funded the amount of $2,241,000 (1988—$3,199,000). The excess of the funded amount over the net cost of benefits earned is recorded as a Deferred Pension Charge on the Balance Sheet.

The actuarial valuation prepared for accounting purposes as at December 31, 1989 disclosed a surplus of $19,331,000 (1988—$10,168,000), representing the excess of plan assets of $207,243,000 (1988—$188,538,000) over accrued pension benefits of $187,912,000 (1988—$178,370,000). This valuation assumed an expected rate of return on plan assets of 7½ per cent and projected pay increase of 5½ per cent.

3. SELF-INSURANCE

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annual contributions to the self-insurance fund consist of a $100,000 premium paid by the Commission in addition to investment income earned on fund assets.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Notes to Consolidated Financial Statements — Concluded
December 31, 1989

4. GOVERNMENT REIMBURSEMENT

In accordance with the Memorandum of Understanding between the Commission and the Ministry of Northern Development and Mines, certain operations of the Commission have been designated as non-commercial. The Commission and the Ministry entered into a fixed price contract which defined the amount of compensation which the Province of Ontario provided for the year 1989.

A portion of the amount for the operating loss of the weekday passenger train service between North Bay and Toronto is received from the National Transportation Agency of Canada under Section 261 of the Railway Act.

Details of Government Reimbursement received are as follows:

	1989 $	1988 $
From Province of Ontario:		
Rail — Passenger Service and Moosonee Branch	17,810,000	17,922,000
Air Services	4,500,000	4,338,000
Marine Services (Moosonee)	62,000	66,000
Marine Services (Owen Sound)		(30,000)
From National Transportation Agency	2,446,000	1,979,000
	24,818,000	24,275,000

5. DEFERRED REVENUE

In 1985, the Commission received $1,740,000 as full settlement for revenue lost through the rerouting of certain long distance telephone traffic. This amount is being amortized to income over the eight remaining years of the original agreement.

6. TELECOMMUNICATIONS REVENUE AGREEMENTS

The Commission has revenue-sharing agreements with Bell Canada and Northern Telephone Limited, subsidiaries of Bell Canada Enterprises Inc. These revenue-sharing agreements may be terminated by either party after giving 180 days and 60 days prior notice, respectively. Approximately 73 per cent (1988 — 73 per cent) of telecommuncations revenue depend on these agreements.

7. SUBSEQUENT EVENT

Mine Closures

In March 1990 one of the Commission's major customers will close its mining operations at two mines located in Northern Ontario. Traffic at these two mines accounted for about 22 per cent of the Commission's Rail Services sales revenue. In connection with this closure, incentives to retire have been extended to a number of the commission's employees. A total of 106 employees have accepted the offer at an estimated cost of $5,044,000 which will be reflected in the accounts during the 1990 fiscal period.

8. COMPARATIVE FIGURES

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

ONTARIO PLACE CORPORATION

Balance Sheet
as at March 31, 1990

ASSETS

	1990 $	1989 $
Current assets		
Cash and short term deposits	1,845,114	1,997,670
Accounts receivable	276,087	200,552
Inventory		
— supplies	102,534	36,898
— resale	66,316	94,405
Prepaid expenses		3,740
	2,290,051	2,333,265

LIABILITIES AND RETAINED INCOME

	1990 $	1989 $
Current liabilities		
Accounts payable and accrued liabilities	1,582,565	1,803,026
Accrued realty taxes	255,130	225,310
Deferred income (note 3)	302,947	127,189
	2,140,642	2,155,525
Retained income	149,409	177,740
	2,290,051	2,333,265

See accompanying notes and schedules to financial statements.

On behalf of the Corporation:

C R Copeland.

Director

Director

To the Ontario Place Corporation and
to the Minister of Tourism and Recreation.

I have examined the balance sheet of Ontario Place Corporation as at March 31, 1990 and the statement of operations and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations for the year then ended in accordance with the basis of accounting described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
July 10, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

ONTARIO PLACE CORPORATION

Statement of Operations and Retained Income
for the year ended March 31, 1990

	1990 $	1989 $
Operating income (Schedule 1)	14,280,284	14,086,722
Province of Ontario operating grant	3,895,100	2,576,100
	18,175,384	16,662,822
Administrative and operating expenditures (Schedule 2)	18,057,275	16,847,222
	18,057,275	16,847,222
Net operating income (loss)	118,109	(184,400)
Province of Ontario capital grant	3,342,000	2,816,900
Sponsorship revenue-capital		275,000
Capital expenditures	(3,488,440)	(3,020,910)
	(146,440)	70,990
Less site study expenditures		(55,295)
		(55,295)
Net loss for the year	(28,331)	(168,705)
Retained income, beginning of year	177,740	346,445
Retained income, end of year	149,409	177,740

Schedule 1
Schedule of Operating Income
for the year ended March 31, 1990

	1990 $	1989 $
Fees		
— admissions	5,943,940	6,229,316
— revenue attractions	1,644,197	1,647,090
— parking	1,640,442	1,991,392
Concessions (note 2)	1,833,911	1,162,903
Sponsorship revenue — operating	1,166,250	830,000
Gross profit (note 2)		
— food services		261,172
— winter program	452,915	426,114
— boutiques		161,716
Marina	591,440	494,814
Interest income	376,590	352,688
Other	630,599	529,517
	14,280,284	14,086,722

See accompanying notes and schedules to financial statements.

ONTARIO PLACE CORPORATION

Schedule 2
Schedule of Administrative and Operating Expenditures
for the year ended March 31, 1990

	1990 $	1989 $
Salaries, wages and employee benefits	7,391,493	7,155,410
Programming and entertainment	2,960,142	2,948,406
Advertising	1,727,144	1,423,321
Site maintenance and miscellaneous services	1,785,435	1,527,585
Realty taxes	1,150,000	989,539
General and office	1,061,979	876,440
Utilities	806,987	707,040
Supplies	547,252	676,578
Security services	405,283	316,797
Films and photography	144,827	137,227
Directors' fees	13,753	13,030
Sponsorship expenditures	62,980	75,849
	18,057,275	16,847,222

See accompanying notes to financial statements.

Notes to Financial Statements
March 31, 1990

1. SIGNIFICANT ACCOUNTING POLICIES

(a) These financial statements have been prepared in accordance with generally accepted accounting principles except that the Corporation charges all additions to fixed assets to expenditures in the year of acquisition and credits all capital and special grants to income in the year received.

(b) Corporate sponsorship revenues are allocated between capital and operating income based on the nature of the expenditure sponsored. All capital expenditures paid for with sponsorship revenues are included with other capital expenditures. Sponsorship expenditures represent costs incurred by the corporation to fulfill obligations of the sponsorship agreements.

(c) Resale inventory is valued at the lower of cost, determined on a first in first out basis, or net realizable value. Supplies inventory is valued at cost.

2. CONCESSIONS

Concession revenue includes rents from concessionaires and the net operating profit of the Trillium Restaurant which is operated by a private firm under a management agreement. Food services were contracted to a private operator part way through the 1988 operating season. Boutique operations were contracted to a private operator beginning with the 1989 operating season. Revenue from these private operators has been included in Concessions revenue.

3. DEFERRED INCOME

Deferred income includes marina slip rentals and sponsorship revenue.

4. PENSION PLAN

The Corporation provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the province of Ontario. The Corporation's share of contributions to the Fund during the year was $143,000 (1989 — $154,000) and is included in employee benefits in the schedule of administration and operating expenditures. This amount includes current contributions and additional payments required to cover the Corporation's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next 40 years.

ONTARIO PLACE CORPORATION

Notes to Financial Statements — Concluded
March 31, 1990

5. CONTINGENT LIABILITY

The Corporation, former chairman, acting general manager, and former manager are named as defendants in an action commenced by a concessionaire. Claimed damages total $11.5 million. The Corporation believes it has a strong case, and is vigorously defending the action. The action is presently before the courts and the cost to the Corporation, if any, cannot be determined until the court renders a decision.

6. COMPARATIVE FIGURES

The 1989 comparative figures have been reclassified where necessary to conform with the 1990 financial statement presentation.

THE ONTARIO TRANSPORTATION DEVELOPMENT CORPORATION

BALANCE SHEET
as at December 31, 1989

ASSETS	1989 $	1988 $
Investment in Urban Transportation Development Corporation Ltd. (note 2)	20,324,000	
Prepaid interest	998,623	2,025,937
Due from Urban Transportation Development Corporation Ltd.	10,291,129	31,860,273
	31,613,752	33,886,210
LIABILITIES		
Bank indebtedness (note 3)	363,549,762	309,376,674
Provision for equity deficiency in Urban Transportation Development Corporation Ltd. (note 2)		3,557,000
Provision for VIA rail project (note 4)		5,000,000
	363,549,762	317,933,674
DEFICIT LESS CAPITAL STOCK		
Deficit	344,223,534	296,334,988
Capital Stock		
Authorized —		
50,000 non-voting special shares with no par value		
20,000,000 common shares of no par value		
Issued —		
3,700,000 common shares	11,100,000	11,100,000
Contributed Surplus	1,187,524	1,187,524
	12,287,524	12,287,524
	331,936,010	284,047,464
	31,613,752	33,886,210

Signed on behalf of the Board:

G. H. Johnston

Director

Director

Auditors' Report to the Shareholder

We have examined the balance sheet of The Ontario Transportation Development Corporation as at December 31, 1989 and the statement of operations and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Chartered Accountants
May 11, 1990

THE ONTARIO TRANSPORTATION DEVELOPMENT CORPORATION

Statement of Operations and Deficit
for the year ended December 31, 1989

	1989 $	1988 $
Write-Down of Investment in Urban Transportation Development Corporation Ltd. (note 2)	6,119,000	8,553,000
Interest expense	41,769,546	25,245,152
Loss for the year	47,888,546	33,798,152
Deficit — Beginning of year	296,334,988	262,536,836
Deficit — End of year	344,223,534	296,334,988

THE ONTARIO TRANSPORTATION DEVELOPMENT CORPORATION

Notes To Financial Statements
for the year ended December 31, 1989

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada.

Translation of foreign currencies

The Corporation's U.S. bank indebtedness has been converted to Canadian funds at the year end rate of exchange. Urban Transportation Development Corporation Ltd. ("UTDC Ltd.") will assume the current and future gains or losses on the U.S. bank indebtedness of the Corporation.

2. INVESTMENT IN URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

During the year, the Corporation invested $30,000,000 in UTDC Ltd. by subscribing for 300,000 Class A preferred shares.

In view of the financial position of UTDC Ltd., it was considered appropriate to write down the investment to the net equity position as at December 31, 1989.

Subsequent to its fiscal year end, the Corporation invested a further $5,000,000 in UTDC Ltd. by subscribing for 50,000 Class A preferred shares. This was done in order for UTDC Ltd. to maintain a net worth position of $25,000,000 which is a requirement under the terms of its agreement with the Detroit Transportation Corporation.

3. BANK INDEBTEDNESS

The Corporation's bank indebtedness is comprised of the following:

	1989 $	1988 $
Bankers' acceptances — including $US Nil (1988 — $US 59,000,000)	344,000,000	303,357,500
Bank overdrafts — including $US 2,432,659 (1988 — $US 3,775,461)	19,549,762	6,019,174
	363,549,762	309,376,674

The bankers' acceptances outstanding at December 31, 1989 mature on various dates ranging from January 3, 1990 to January 16, 1990 and bear interest at rates between 12.3% and 12.4%.

The Government of Ontario has guaranteed the repayment of the bank indebtedness, including interest thereon, of the Corporation.

THE ONTARIO TRANSPORTATION DEVELOPMENT CORPORATION

Notes To Financial Statements — Concluded
for the year ended December 31, 1989

4. PROVISION FOR VIA RAIL PROJECT

As part of the terms of sale of UTDC Ltd.'s assets to UTDC Inc. it was agreed that if certain work expected to be available to UTDC Inc. from the Via Rail Project not be secured, appropriate compensation would be negotiated in good faith by the parties. Via Rail indicated that it would not proceed with the program as earlier contemplated. The Province of Ontario assumed all obligations with respect to Via Rail Project and negotiated a settlement of this issue with UTDC Inc. Under the terms of the settlement reached in July, 1988 the Province of Ontario directed the Corporation to pay to UTDC Inc. $31 million of which $21 million was paid prior to August 31, 1988 and an amount of $1,250,000 per month had been paid from September 1988 to December 1988, with the final monthly payments made from January to April of the current year.

ONTARIO WASTE MANAGEMENT CORPORATION

Statement of Financial Position
as at March 31, 1990

ASSETS

	1990 ($'000)	1989 ($'000)
Current		
Cash		
General	461	3
Intervenor (note 2)	982	800
	1443	803
Sundry receivables	43	34
Prepaid expenses	46	49
	1532	886
Fixed (note 3)	524	336
	2,056	1,222

LIABILITIES AND DEFICIT

	1990 ($'000)	1989 ($'000)
Current		
Accounts payable and accrued liabilities	2,679	2,083
Deferred intervenor grants (note 2)	982	767
	3,661	2,850
Deficit	(1,605)	(1,628)
	2,056	1,222

See accompanying notes to financial statements.

On behalf of the Board:

Da. Chant
Chairman

Vice-Chairman

ONTARIO WASTE MANAGEMENT CORPORATION

Statement of Operations and Deficit
for the year ended March 31, 1990

	1990 ($'000)	1989 ($'000)
Revenue		
Grants from Province of Ontario		
General	13,100	13,500
Intervenor (note 2)	985	33
Other	195	43
	14,280	13,576
Expenditure		
Hearings	3,717	1,973
Salaries and benefits	3,329	3,130
Facilities development	1,951	2,514
Site assessment	1,421	2,281
Office and general	998	780
Intervenor funding (note 2)	985	33
Public funding (note 2)		667
Occupancy	563	563
Waste reduction and market assessment	501	689
Publications	383	291
Management consultants	226	407
Depreciation	123	91
Technical communication services	48	54
Directors' fees and expenses	12	13
	14,257	13,486
Excess of revenue over expenditure	23	90
Deficit, beginning of year	(1,628)	(1,718)
Deficit, end of year	(1,605)	(1,628)

Statement of Changes in Financial Position
for the year ended March 31, 1990

	1990 ($'000)	1989 ($'000)
Cash provided by operating activities		
Excess of revenue over expenditure	23	90
Charge to operations not requiring a current cash payment — depreciation	123	91
	146	181
Net change in non-cash working capital balances	805	636
Cash provided by operations	951	817
Cash used in investing activities		
Additions to fixed assets	(311)	(153)
Net increase in cash during the year	640	664
Cash, beginning of year	803	139
Cash, end of year	1,443	803

See accompanying notes to financial statements.

ONTARIO WASTE MANAGEMENT CORPORATION

Notes to Financial Statements
March 31, 1990

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with generally accepted accounting principles, with the significant ones summarized below.

a) *Fixed Assets*

Fixed assets are recorded at cost. Depreciation for furniture and equipment is computed on the declining balance basis at rates of 20%-30% designed to amortize the cost of these assets over their estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the 3-5 year terms of the leases.

b) *Deferred intervenor grants*

Intervenor grants are deferred until payments to the intervenors are directed by the independent Funding Panel.

2. FUNDING TO INTERVENORS

As part of the approval process for the construction of a proposed waste disposal facility, a public hearing to address environmental and other related issues commenced in 1989 before a Joint Board established under the *Consolidated Hearings Act*.

The Province has allocated approximately $3.2 million to be provided to eligible parties (intervenors) to finance their cost of preparation and appearance at this hearing. An independent Funding Panel, appointed under the *Intervenor Funding Project Act, 1988* is responsible for the allocation of this funding. Payments to the intervenors are made by the Corporation based on requests from the Funding Panel.

To date, the Corporation has received transfers of $2.0 million under this provision, of which $985,000 was paid to intervenors during 1990 (1989 — $33,000). The unexpended balance of $982,000 has been deferred until payments to the intervenors are directed by the independent Funding Panel.

Prior to the establishment of the independent Funding Panel, public funding had been provided directly by the Corporation. This direct public funding by the Corporation ceased on December 31, 1988.

3. FIXED ASSETS

	1990			1989
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	($'000)	($'000)	($'000)	($'000)
Furniture	285	185	100	79
Equipment	667	268	399	239
Leasehold improvements	180	155	25	18
	1,132	608	524	336

4. PENSION PLAN

The Corporation provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was $153,859 (1989 — $105,651) and is included in salaries and benefits in the Statement of Operations and Deficit. This amount includes current contributions and additional payments required to cover the Corporation's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next forty years.

5. LEASE COMMITMENTS

The Corporation is committed under operating leases on premises and equipment with future minimum payments until October, 1995 due as follows:

	($'000)
1991	486
1992	349
1993	169
1994	17
1995	17
Thereafter	10
	$1,048

ONTARIO WASTE MANAGEMENT CORPORATION

March 31, 1990

6. CONTINGENT LIABILITY

In May 1987 the Corporation entered into an agreement with Ontario Hydro for work related to the supply of electricity to the Corporation's proposed waste disposal facility. The cost for such work is currently estimated at $181,000 and will only be charged to the Corporation if construction of the facility does not proceed. Approval by the Joint Board established under the *Consolidated Hearings Act* and by the Provincial Cabinet to construct the facility had not taken place as at March 31, 1990.

To the Ontario Waste Management Corporation
and to the Minister of the Environment.

I have examined the statement of financial position of the Ontario Waste Management Corporation as at March 31, 1990 and the statements of operations and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, Ontario,
May 29, 1990.

THE PUBLIC TRUSTEE OF THE PROVINCE OF ONTARIO

Balance Sheet
as at March 31, 1990

ASSETS

	1990 ($000's)	1989 ($000's)
ESTATES AND TRUSTS		
Cash in bank	312	308
Bonds	219,919	206,961
Funds invested (schedule A)	154,468	141,918
Real estate (note 7)	68,862	50,951
Stocks	12,840	11,289
Mortgages receivable	1,779	1,812
Life insurance	2,558	2,537
Miscellaneous	6,465	5,937
	467,203	421,713
Deduct mortgages payable	1,237	974
	465,966	420,739
ADMINISTRATION FUND (note 3)		
Cash in bank	134	195
Funds invested (schedule A)	29,030	56,687
	29,164	56,882
	495,130	477,621

LIABILITIES

	1990 ($000's)	1989 ($000's)
ESTATES AND TRUSTS		
Patients' estates	352,742	315,576
Crown estates	39,787	38,150
Special trusts and charities	32,510	29,146
Probable escheats (note 4)	7,321	10,477
Deceased persons' estates	15,494	10,463
Cemetery trusts	8,286	7,652
Corporate estates	6,228	6,252
Crown companies	2,326	1,751
Unclaimed balances	1,149	1,137
Indian trusts	84	84
Child welfare trusts	39	51
	465,966	420,739
ADMINISTRATION FUND (note 3)		
Current liabilities	356	859
Assurance Fund (note 5)	200	200
Surplus	28,608	55,823
	29,164	56,882
	495,130	477,621

See accompanying schedules and notes to financial statements.

On behalf of the Public Trustee:

R.H. Carrington.

Public Trustee

Deputy Public Trustee

THE PUBLIC TRUSTEE OF THE PROVINCE OF ONTARIO

Statement of Revenue and Expenditure
Year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
Revenue		
Fees collected		
Patients' estates	6,237	5,589
Crown estates	663	518
Special trusts	400	353
Probable escheats	251	15
Deceased persons' estates	152	158
Charities	97	34
Cemetery trusts	39	34
Crown companies	95	59
Corporate estates	23	18
	7,957	6,778
Bank interest	44	35
Income from funds invested, net (schedule B)	8,243	9,361
	16,244	16,174
Expenditure		
Salaries and wages	6,299	5,259
Employee benefits (note 6)	764	619
Services	440	808
Supplies and equipment	584	231
Transportation and communication	369	219
	8,456	7,136
EXCESS OF REVENUE OVER EXPENDITURE	7,788	9,038

Statement of Surplus
Year ended March 31, 1990

	1990 ($000's)	1989 ($000's)
BALANCE, BEGINNING OF YEAR	55,823	46,785
Excess of revenue over expenditure	7,788	9,038
	63,611	55,823
Transfer to Consolidated Revenue Fund (note 3)	(35,000)	
Reimbursement of claim on Assurance Fund	(3)	
BALANCE, END OF YEAR	28,608	55,823

See accompanying schedules and notes to financial statements.

THE PUBLIC TRUSTEE OF THE PROVINCE OF ONTARIO

Details of Funds Invested
as at March 31, 1990

SCHEDULE A

	1990 ($000's)	1989 ($000's)
Short term investments	94,547	136,148
Bonds (schedule C)	84,158	52,942
Accrued interest	4,471	9,077
Prepaid interest receivable	177	
Cash in bank	145	438
	183,498	198,605
Allocated as follows:		
Estates and Trusts	154,468	141,918
Administration Fund (note 3)	29,030	56,687
	183,498	198,605

Income from Funds Invested
Year ended March 31, 1990

SCHEDULE B

	1990 ($000's)	1989 ($000's)
Interest earned on investments	17,946	16,951
Interest earned on bank accounts	787	550
	18,733	17,501
Deduct interest allowed	10,490	8,140
Income from funds invested, net	8,243	9,361

Details of Bonds
as at March 31, 1990

SCHEDULE C

	1990 ($000's)	1989 ($000's)
Ontario Hydro	33,074	29,994
Provincial Governments	39,134	6,889
Bank mortgage bonds	11,950	16,059
Cost	84,158	52,942
Par value	84,400	52,900
Market value	79,386	51,666

See accompanying notes to financial statements.

THE PUBLIC TRUSTEE OF THE PROVINCE OF ONTARIO

Notes to Financial Statements
March 31, 1990

1. GENERAL

The Public Trustee performs duties under a number of statutes, with the following main responsibilities:

- the management of estates of mentally incompetent individuals;
- the administration of estates of persons who die in Ontario intestate and without next-of-kin;
- the gathering of assets on behalf of the Crown under the Escheats Act when there is no known owner of those assets or the owner is a corporation no longer in existence; and
- a general supervisory role over charities.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

Fees collected, bank interest and expenditure are recorded on a cash basis of accounting which, for expenditure, is modified to allow an additional thirty days to pay for debts incurred during the fiscal year just ended. Net income from funds invested is recorded on an accrual basis.

(b) Funds invested

Funds are invested in income producing short term investments or bonds which are normally held until maturity. These securities are shown at cost adjusted for the amortization of premiums or discounts on purchase over the period to maturity.

(c) Stocks and bonds of Estates and Trusts

Stocks and bonds of Estates and Trusts are recorded at their market value at the time of taking over the Estates and Trusts with an annual adjustment to market value at December 31 each year.

(d) Real estate

Real estate is recorded at appraised value at time of incorporation of the trust and is subject to periodic revaluations.

(e) Life insurance

Life insurance is recorded at its cash surrender value at the time of incorporating the trust and is subject to valuation every two years.

(f) Fixed assets

Fixed assets are recorded as expenditures when purchased.

3. ADMINISTRATION FUND

The Administration Fund is the operating account of the Public Trustee. It is used to accumulate fees charged each estate for services, as prescribed by the regulations under the Public Trustee Act.

Cash balances in the Administration Fund which are not required for operating purposes are invested along with the cash funds of Estates and Trusts. The Administration Fund receives the net interest income of these investment activities, after interest is allowed on the funds of Estates and Trusts in accordance with regulations under the Act.

All operating expenses of the office of the Public Trustee are paid from the Administration Fund.

Pursuant to section 9(5) of the Public Trustee Act, the Lieutenant Governor in Council may from time to time direct the payment into the Province's Consolidated Revenue Fund of any balance at the credit of the Administration Fund. Subsequent to the year end, $27 million was transferred from the Fund in May 1990 to the Consolidated Revenue Fund.

4. FUNDS ESCHEATED TO THE CROWN

The Public Trustee is authorized by the Escheats Act to take possession of unclaimed property reverting to the Crown under the Succession Law Reform Act, Business Corporations Act or common law. After a period of ten years, any property so received by the Public Trustee which remains unclaimed is transferred to the Consolidated Revenue Fund of the Province.

During the year, $2,743,846 (1989 — $8,000) was transferred to the Province.

5. ASSURANCE FUND

The regulations under the Act provide that an Assurance Fund shall be established to meet losses for which the office of the Public Trustee might become liable. Accordingly, this Fund has been established at $200,000 by transfers from the Administration Fund.

THE PUBLIC TRUSTEE OF THE PROVINCE OF ONTARIO

Notes to Financial Statements — Concluded
March 31, 1990

6. PENSION PLAN

The office of the Public Trustee provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The office's share of contributions to the Fund during the year was $243,863 (1989 — $185,402) and is included in employee benefits in the Statement of Revenue and Expenditure. This amount includes current contributions and additional payments required to cover the office's share of the Fund's estimated unfunded liabilities on January 1, 1990. These additional payments will continue over the next forty years.

7. REAL ESTATE AND REVALUATION PROJECT

Due to the high volatility of the Ontario real estate market, property values change after their initial incorporation. Many properties have not been revalued in recent years. The office of the Public Trustee now has a project underway to revalue properties under its administration. This project is expected to be completed by 1991.

To the Public Trustee of the Province of Ontario and
to the Attorney General.

I have examined the balance sheet of the Public Trustee of the Province of Ontario as at March 31, 1990 and the statements of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Public Trustee of the Province of Ontario as at March 31, 1990 and the results of operations for the year then ended in accordance with the accounting policies described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
July 27, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

STADIUM CORPORATION OF ONTARIO LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET

As at December 31

	1989 $	[thousands]	1988 $
ASSETS			
Accounts receivable	**15,084**		9,235
Prepaid expenses	**202**		1,097
	15,286		10,332
Project costs *[note 3]*	**541,859**		319,185
Fixed assets *[note 4]*	**1,196**		205
	543,055		319,390
	558,341		329,722
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Bank indebtedness *[note 5]*	**252,954**		54,146
Accounts payable and accrued liabilities	**31,063**		32,666
Province of Ontario loans *[note 6[a]]*	**5,766**		5,766
Promissory notes *[notes 6[c] and [d]]*	**17,100**		14,050
Proceeds from sale of preferred rights *[notes 6[c] and [d]]*	**120,527**		94,375
Proceeds from sale of SkyBox rights *[note 7[a]]*	**43,885**		37,950
Proceeds from sale of club seat rights *[note 7[b]]*	**19,408**		20,269
Deferred revenue	**2,729**		—
Total liabilities	**493,432**		259,222
Shareholder's equity			
Share capital *[note 8]*	**30,000**		30,000
Contributed capital *[notes 6[b] and [d]]*	**40,500**		40,500
Deficit	**(5,591)**		—
Total shareholder's equity	**64,909**		70,500
Commitments and contingencies *[notes 10 and 11]*			
	558,341		329,722

See accompanying notes

On behalf of the Board:

Director

Director

STADIUM CORPORATION OF ONTARIO LIMITED

(Incorporated under the laws of Ontario)

STATEMENT OF OPERATIONS AND DEFICIT

Seven months ended December 31

	1989 $ [thousands]
REVENUE	
SkyBoxes, club seats and preferred rights	13,223
Facility rentals and concessions	8,636
Advertising and other	5,223
	27,082
EXPENSES	
Operating and building [net of recoverables]	6,538
General and administrative	6,497
Salaries, wages and benefits	3,413
Marketing, advertising and promotion	499
Interest	8,711
	25,658
Income before depreciation	1,424
Depreciation	7,015
Net loss for the period and deficit, end of period	**(5,591)**

See accompanying notes

STADIUM CORPORATION OF ONTARIO LIMITED

STATEMENT OF PROJECT COSTS

	Balance December 31, 1988 $	Additions during 1989 $	Balance December 31, 1989 $
		[thousands]	
Construction costs	318,944	**220,491**	**539,435**
Development and indirect construction expenditures (income)			
Pre-construction period	2,927	—	**2,927**
Construction period			
Insurance	2,818	**1,825**	**4,643**
Salaries and benefits	2,812	**1,656**	**4,468**
Interest expense	1,070	**12,173**	**13,243**
General and administrative	883	**527**	**1,410**
Rentals	539	**141**	**680**
Transportation and communication	190	**137**	**327**
Depreciation	148	**56**	**204**
Office supplies	130	**46**	**176**
Interest income	(10,577)	**(5,912)**	**(16,489)**
Other income	(699)	**(1,606)**	**(2,305)**
	319,185	**229,534**	**548,719**
Less accumulated depreciation	—	**6,860**	**6,860**
Project costs	319,185	**222,674**	**541,859**

See accompanying notes

STADIUM CORPORATION OF ONTARIO LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31

	1989 $	[thousands]	1988 $
OPERATING ACTIVITIES			
Net loss for the period	**(5,591)**		—
SkyBox and club seat receipts	**16,156**		—
Items not affecting cash			
Depreciation	**7,015**		—
Amortization of SkyBox, club seat and preferred rights	**(12,505)**		—
Net change in accounts receivable, prepaids, accounts payable, accrued liabilities and deferred revenue	**5,551**		—
Cash provided by operating activities	**10,626**		—
FINANCING ACTIVITIES			
Consortium and other corporate funding	**30,625**		5,000
SkyBox and club seat receipts	**—**		20,733
Capital contributions	**—**		2,803
Decrease (increase) in accounts receivable	**(12)**		38,915
Cash provided by financing activities	**30,613**		67,451
CONSTRUCTION ACTIVITIES			
Project costs	**(229,534)**		(183,308)
Net change in prepaid expenses, accounts payable and accrued liabilities	**(9,367)**		6,335
Net additions to fixed assets	**(1,146)**		(29)
Cash used in construction activities	**(240,047)**		(177,002)
Net increase in bank indebtedness during the year	**198,808**		109,551
Bank indebtedness (cash and short-term investments), beginning of year	**54,146**		(55,405)
Bank indebtedness, end of year	**252,954**		54,146

See accompanying notes

STADIUM CORPORATION OF ONTARIO LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1989

1. STADIUM CORPORATION OF ONTARIO LIMITED [THE "CORPORATION"]

The Corporation has substantially completed the construction of an entertainment complex [the "Project"] which includes the first urban multi-purpose domed stadium with a fully retractable roof, a hotel, health club and other facilities. On June 3, 1989 the stadium portion of the Project commenced operations. Construction continued to proceed on the remainder of the Project.

At a date to be determined, the Corporation will transfer all of its rights, title and interests in the Project to a partnership to be formed between the Corporation and a private company, Dome Consortium Investments Inc. ["Consortium"]. The partnership will assume responsibility for the operation of the Project at that time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Project costs

All costs associated with the project's construction including development, indirect construction expenditures and interest costs are capitalized and included in project costs. Proceeds from promotions and interest income earned during construction are netted against project costs.

Depreciation

Project costs and fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Base stadium	50 years
Stadium equipment and finishes	25 to 50 years
Seats	15 years
Scoreboards, signage and production equipment	5 to 15 years
Artificial turf and stadium accessories	5 to 15 years
Vehicles, machinery and equipment	5 to 10 years
Furniture, fixtures and office equipment	3 to 10 years

SkyBox and club seat rights

Proceeds from the sale of rights to SkyBoxes and the use of club seats are amortized over the terms of their respective agreements.

Preferred rights

Proceeds from the sale of preferred rights are amortized over the life of the base stadium.

STADIUM CORPORATION OF ONTARIO LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1989

Facility rental and fees

Facility rentals and fees are recognized as revenue once the related event has occurred. Accordingly, deposits received and expenditures incurred prior to the event are deferred until the event has been completed.

3. PROJECT COSTS

	$ [thousands]
Base Stadium	**415,183**
Stadium equipment and finishes	**74,353**
Scoreboards, signage and production equipment	**31,962**
Vehicles, machinery and equipment	**8,891**
Artificial turf and stadium accessories	**7,871**
Seats	**7,739**
Furniture, fixtures and office equipment	**2,720**
	548,719
Less accumulated depreciation	**6,860**
	541,859

4. FIXED ASSETS

	$ [thousands]
Stadium and other operating equipment	**595**
Computer equipment	**570**
Office furniture and equipment	**408**
	1,573
Less accumulated depreciation	**377**
	1,196

5. BANK INDEBTEDNESS

The Corporation has arranged revolving credits aggregating $310 million to finance the Project. Upon completion of the construction of the Project, it is the intention of the Corporation to replace these credits with long-term financing.

STADIUM CORPORATION OF ONTARIO LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1989

6. FUNDING SOURCES

	Province of Ontario [a] $	Municipality of Metropolitan Toronto [b] $	Consortium [c] $	Other corporations [d] $	Total $
			[thousands]		
Province of Ontario loans	5,766	—	—	—	**5,766**
Promissory notes	—	—	13,500	3,600	**17,100**
Proceeds from sale of preferred rights	—	—	121,500	450	**121,950**
Share capital	30,000	—	—	—	**30,000**
Contributed capital	—	30,000	—	10,500	**40,500**
	35,766	30,000	135,000	14,550	**215,316**
Less accumulated amortization	—	—	1,418	5	**1,423**
Net	35,766	30,000	133,582	14,545	**213,893**

[a] Province of Ontario

Prior to 1988, the Province of Ontario subscribed for 30,010 shares of the Corporation for consideration of $30,000,010.

The Province of Ontario has also advanced to the Corporation $5,766,000 which is currently interest-free but will bear interest effective January 1, 1990 at prime rates and will be repayable in seven equal annual installments starting January 1, 1991.

[b] Municipality of Metropolitan Toronto

The Municipality of Metropolitan Toronto has contributed $30,000,000 to the Corporation.

[c] Consortium

As at December 31, 1989, 27 Canadian corporations ["Consortium Members"] have agreed to participate in the financing of the Project. For consideration of $4,500,000 each Consortium Member received certain preferred rights in the supply of goods and services, in the allocation of seating, and in advertising within the stadium for a 10-year period valued at $4,200,000 and an option, valued at $300,000 to extend the period of the preferred rights.

STADIUM CORPORATION OF ONTARIO LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1989

In addition, these Consortium Members have subscribed for shares of the Consortium which will form a partnership with the Corporation. These funds have been loaned to the Project. At December 31, 1989, the Corporation had received $13,500,000 from the Consortium and had issued promissory notes which bear no interest and are repayable on the day prior to the day the partnership acquires the Project.

[d] Other corporations

At December 31, 1989, three other corporations have each made contributions of $3,500,000 as well as loans of $1,350,000 each to the Corporation. The Corporation has issued promissory notes for the loans which bear no interest and are repayable in installments of varying amounts over 10 years commencing with payments of $450,000 in 1989. In addition, for consideration of $150,000 each, the corporations will receive certain advertising and promotional rights.

7. SKYBOX AND CLUB SEAT FEES

[a] SkyBoxes

The Corporation sold the rights to the use of 113 SkyBoxes for a 10-year period. During the year, the Corporation recognized income of $9,950,000 from the amortization of the proceeds from the sale of rights to SkyBoxes.

[b] Club seats

The Corporation received subscription fees of $20,540,000 from the sale of rights to the use of Club seats for a 10-year period. In 1989, the Corporation charged an annual fee of $125 per club seat. During the year, the Corporation recognized income of $1,132,000 from the amortization of subscription fees and earned $718,000 in annual fees.

8. SHARE CAPITAL

The following is a summary of the Corporation's share capital as at December 31:

	1989 **$**	[thousands]	**1988** **$**
Authorized			
Unlimited number of common shares			
Issued			
30,010 common shares [1988 - 30,010]	**30,000**		30,000

STADIUM CORPORATION OF ONTARIO LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1989

9. INCOME TAXES

The Corporation is a Crown corporation and is exempt from federal and provincial income taxes.

10. COMMITMENTS

The Corporation is responsible for the construction of the Project which has an estimated total cost of $543.7 million. In addition, the acquisition and installation of the video scoreboard, auxiliary video boards, advertising signs and production equipment related to the scoreboard and advertising signs are estimated to cost a total of $30 million.

11. CONTINGENCIES

Various claims have been made against the Corporation for costs related primarily to design and construction changes and delays in the completion of the Project. The total for these claims approximates $72 million. At this time, no amount has been provided in the financial statements in respect of these claims as the merits of the claims and the amount of the loss, if any, are not determinable.

12. COMPARATIVE FIGURES

Certain of the 1988 comparative figures have been reclassified to conform to the presentation adopted in the current year.

STADIUM CORPORATION OF ONTARIO LIMITED

AUDITORS' REPORT

To the Shareholder of
Stadium Corporation of Ontario Limited

We have examined the balance sheet of **Stadium Corporation of Ontario Limited** as at December 31, 1989 and the statement of operations and deficit for the seven months then ended and the statements of project costs and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations for the seven months then ended and the project costs and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Young

Toronto, Canada,
March 30, 1990.

Chartered Accountants

TEACHERS' SUPERANNUATION FUND

Statement Of Net Assets Available For Benefits (note 1)
as at December 31, 1989
(in thousands)

ASSETS

	1989 $	1988 $
Investments		
Province of Ontario debentures	15,810,450	12,468,100
Short term	53,810	71,780
	15,864,260	12,539,880
Receivable from the Province of Ontario		
Matching contributions	660,287	600,322
Interest on matching contributions	77,594	71,180
	737,881	671,502
Accrued contributions	7,911	
Accrued interest	464,528	413,097
Cash	27,210	28,147
Total assets	17,101,790	13,652,626

LIABILITIES

	1989 $	1988 $
Accounts payable and accrued liabilities	11,381	9,644
Payable to employers, net	2,510	2,188
Payable to Superannuation Adjustment Fund		1,442
Total liabilities	13,891	13,274
Net Assets Available For Benefits (note 4)	17,087,899	13,639,352

On behalf of the Board

Chairperson

Board Member

TEACHERS' SUPERANNUATION FUND

Statement Of Changes In Net Assets Available For Benefits (note 1)
for the year ended December 31, 1989
(in thousands)

	1989	1988
	$	$
INCREASE IN ASSETS		
Interest income		
Investments	1,531,737	1,343,437
Contributions – Province of Ontario matching	57,193	52,472
– other	12,750	8,506
	1,601,680	1,404,415
Contributions		
Contributors – for employment in education	351,741	320,685
– for optional credit	6,654	4,903
Matching – Province of Ontario	347,087	313,200
– Other	5,860	5,451
	711,342	644,239
Repayments of refunds	9,231	5,896
Transfers from other plans	8,544	6,739
Recoveries on office relocation		6,711
	729,117	663,585
Total increase in assets	2,330,797	2,068,000
DECREASE IN ASSETS		
Benefits paid	645,494	555,692
Less recovery from Province of Ontario:		
Consolidated Revenue Fund	122,224	121,520
Superannuation Adjustment Fund	88,789	73,605
	211,013	195,125
Net benefits paid	434,481	360,567
Refunds of contributions	7,775	5,022
Transfers to other plans	5,778	3,377
Administration expenditures	15,566	16,030
Total decrease in assets	463,600	384,996
INCREASE IN NET ASSETS	1,867,197	1,683,004
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	13,639,352	11,956,348
TRANSFER OF NET ASSETS FROM SUPERANNUATION ADJUSTMENT FUND ACCOUNT (NOTE 1)	1,581,350	
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR (NOTE 4)	17,087,899	13,639,352

TEACHERS' SUPERANNUATION FUND

Statement of Long Term Investments (note 1)

Province of Ontario debentures
as at December 31, 1989
(in thousands)

Maturity Date	Interest Rate (%)	1989 Principal $	1989 %	1988 Principal $	1988 %
1990-1991	10.00 – 10.99	207,669	1.31		
	11.00 – 11.99	153,898	0.98		
		361,567	2.29		
1992-1994	6.00 – 6.99	454,500	2.88	454,500	3.65
	8.00 – 8.99	195,000	1.23	195,000	1.56
	9.00 – 9.99	151,600	0.96		
		801,100	5.07	649,500	5.21
1995-1997	7.00 – 7.99	110,000	0.69	110,000	0.88
	8.00 – 8.99	172,000	1.09	172,000	1.38
	10.00 – 10.99	197,500	1.25	197,500	1.59
	11.00 – 11.99	63,794	0.40		
	16.00 – 16.99	165,419	1.05		
		708,713	4.48	479,500	3.85
1998-2000	7.00 – 7.99	9,500	0.06	9,500	0.08
	8.00 – 8.99	286,100	1.81	286,100	2.29
	9.00 – 9.99	1,026,000	6.49	1,026,000	8.23
	11.00 – 11.99	273,000	1.72	273,000	2.19
	12.00 – 12.99	120,889	0.76		
	13.00 – 13.99	137,188	0.87		
	14.00 – 14.99	107,054	0.68		
		1,959,731	12.39	1,594,600	12.79
2001-2003	9.00 – 9.99	646,024	4.09	488,000	3.91
	10.00 – 10.99	502,071	3.18	334,500	2.68
	11.00 – 11.99	444,238	2.81	296,000	2.38
	12.00 – 12.99	230,000	1.45	230,000	1.84
	13.00 – 13.99	315,000	1.99	315,000	2.53
		2,137,333	13.52	1,663,500	13.34
2004-2006	10.00 – 10.99	465,000	2.94	465,000	3.73
	11.00 – 11.99	490,000	3.10	490,000	3.93
	12.00 – 12.99	1,396,000	8.83	1,396,000	11.20
	13.00 – 13.99	460,000	2.91	460,000	3.69
	14.00 – 14.99	335,000	2.12	335,000	2.68
		3,146,000	19.90	3,146,000	25.23
2007-2009	10.00 – 10.99	1,470,000	9.30	925,000	7.42
	11.00 – 11.99	2,015,000	12.74	1,925,000	15.44
	15.00 – 15.99	945,000	5.98	945,000	7.58
		4,430,000	28.02	3,795,000	30.44
2010-2012	10.00 – 10.99	1,171,000	7.41	670,000	5.37
	11.00 – 11.99	1,095,000	6.92	470,000	3.77
		2,266,000	14.33	1,140,000	9.14
		15,810,450	100.00	12,468,100	100.00

TEACHERS' SUPERANNUATION FUND

Statement of Administration Expenditures (note 1)
for the year ended December 31, 1989
(in thousands)

	1989 $	1988 $
Salaries and benefits	8,684	7,271
Office rental	1,338	737
Professional consulting services	897	151
Repairs and maintenance	672	540
Office and computer equipment	568	158
Data processing services	460	373
Postage, distribution and advertising	446	319
Communications consulting services	416	425
Utilities, insurance and taxes	381	435
Publications and external communications	352	356
Printing and stationery	346	415
Actuarial services	224	148
Telecommunications	204	175
Travel	108	90
Training and development	99	41
Commissioners' remuneration	96	92
Audit fees	78	54
Translation services	63	55
Bank services	62	57
Other	54	34
Legal fees	18	10
	15,566	11,936
Relocation costs		
Office furniture		1,824
Office equipment		1,449
Leasehold improvements		799
Professional services		22
		4,094
	15,566	16,030

Notes to Financial Statements
for the year ended December 31, 1989

1. **TEACHERS' PENSION ACT, 1989**

Effective December 31, 1989, the Ontario legislature changed the legislation governing the pension plan. The *Teachers' Pension Act, 1989* (the Act) repealed the *Teachers' Superannuation Act, 1983* (the former Act) but continued the plan set out in the former Act, including the related benefits provided under the *Superannuation Adjustment Benefits Act*. The name of the pension plan is now the Ontario Teachers' Pension Plan (the Plan). The terms of the Plan are set out in Schedule 1 to the Act and are effective January 1, 1990.

The Act also continued the Teachers' Superannuation Commission (the Commission) as the plan administrator under a new name, the Ontario Teachers' Pension Plan Board (the Board) and continued the Teachers' Superannuation Fund (the Fund) as the pension fund maintained to provide plan benefits.

Pursuant to the Act, the assets and liabilities of the Superannuation Adjustment Fund account were transferred to the Fund as of December 31, 1989. The net assets were transferred by the issuance of Province of Ontario debentures in the amount of $1.581 billion. The net assets available for benefits presented in these statements include these debentures. The 1988 comparative figures are not affected.

The Act requires the investment of Fund assets to meet the obligations of the Plan. Investment in Province of Ontario debentures is no longer required.

The Act increases by 1% the rates of contribution to the Fund payable by both members and their employers. It also requires a valuation of the Plan as at January 1, 1990 and funding by the Province to liquidate any going concern unfunded actuarial liability determined by that valuation.

TEACHERS' SUPERANNUATION FUND

Notes to Financial Statements — Continued
for the year ended December 31, 1989

2. DESCRIPTION OF PLAN

The following description of the Plan is a summary only. For more complete information, reference should be made to the Act and the Pension Benefits Act, 1987.

(a) General

The Plan is a contributory defined benefit pension plan sponsored by the Province of Ontario (the Province) and is mandatory for most persons who satisfy eligibility requirements provided in the Act. Under the Plan, contributions are made by persons employed in education, certain private schools and organizations and the Province. The Plan is registered under the *Pension Benefits Act of Ontario*: registration #C008450.

(b) Funding

The *Pension Benefits Act of Ontario* requires that the Province, as the Plan sponsor, pay the cost of the benefits determined under the Plan that are not funded by member and employer contributions. The determination of the value of these benefits is made on the basis of actuarial valuation (see note 4).

(c) Service Pensions

A service pension is available based on credited service, best five year average salary and age of the member. A 90 factor (age and service) provides an unreduced pension at any age. A reduced early retirement pension is available from age 55. Service of 35 years provides an unreduced pension at any age for retirements in the period June 1987 to August 1990 inclusive.

(d) Disability Pensions

A disability pension is available at any age with a minimum of 10 years credited service. The amount of disability pension is determined by the extent of the disability.

(e) Death Benefits

Death benefits are available on the death of a member and may be available on the death of a pensioner.

The benefit may take the form of an immediate or deferred pension and/or a lump sum payment.

(f) Withdrawal Refunds

Upon application and subject to the lock-in provisions, withdrawal refunds, with interest on the contributions, are payable when a member ceases to be employed in education.

(g) Income Taxes

The Fund is a Registered Pension Trust as defined in the *Income Tax Act* and is not subject to income taxes.

(h) Escalation of Benefits

From 1975 pension benefits are indexed to inflation at 100% of the Consumer Price Index, subject to a limit of 8% in any one year, with any excess carried forward. Other ad hoc increases are paid relating to pension benefits effective prior to this date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) Contributions

The matching contributions from the Province together with interest thereon are recorded using accrual Accounting.

Special payments from the Province are recorded in the year in which they are received.

(c) Capital Expenditures

Capital expenditures, including expenditures for fixed assets, are expensed in the year they are incurred. Recoveries relating to capital expenditures are recorded as an increase in assets in the year in which the transaction occurs.

TEACHERS' SUPERANNUATION FUND

Notes to Financial Statements — Concluded
for the year ended December 31, 1989

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investments

On December 31, 1989 the Fund held Province of Ontario debentures and short term investments.

Province of Ontario debentures

Province of Ontario debentures are stated at cost. Since these debentures are not negotiable and are required to be held to maturity, a market valuation is inappropriate.

Short Term

Short term investments are securities guaranteed by Canadian chartered banks with maturities up to one year. They are stated at cost which approximates market value.

(e) Benefits

Payments for benefits, refunds and transfers are recorded in the year in which they are made. Provisions for such amounts are included in the determination of actuarial liabilities.

4. NET ASSETS AVAILABLE FOR BENEFITS

The adequacy of the net assets available for benefits is determined by an actuarial valuation at least once every three years. The most recent actuarial valuation filed with the Pension Commission of Ontario was made as of December 31, 1987 by Eckler Partners Ltd., a firm of consulting actuaries. Since it showed that the Fund was in a surplus position, no special funding payments were required.

On December 31, 1989, pursuant to the Act, the benefit and contribution structure of the Plan was changed. The Plan assumed the obligation for escalation benefits as provided under the *Superannuation Adjustment Benefits Act*, and the Fund received the assets of the Superannuation Adjustment Fund account.

The impact of these changes on the funded position of the Plan will be determined by an actuarial valuation as at January 1, 1990 to be made under the direction of the Board. In accordance with the Act, the Province is required to fund over the next forty years any going concern unfunded actuarial liability of the Plan determined by this initial valuation.

A report prepared by the Province's actuaries during 1989 as part of the 1989 Ontario budget process estimated this going concern unfunded actuarial liability as at January 1, 1990 to be $4.036 billion. The report was based on data as at the end of 1987, benefits as at January 1, 1990, and economic assumptions updated to March 1989.

Interim payments by the Province based on the estimated liability commenced January 1, 1990. These payments will be adjusted when the initial valuation is completed.

5. CONTINGENCY

Claims have been made against the Fund because of corrective steps taken by the Commission in September 1986 in order to conform to a legal interpretation of the Act. These steps have resulted in the reduction of approximately 1500 pensions on a prospective basis. The Supreme Court of Ontario has agreed with the Commission's interpretation with respect to one of these claims, but the claimant has appealed. The outcome of the appeal and the other claims cannot be reasonably determined at this time. Accordingly, no provision for them has been made in the financial statements. Any settlement will be recorded in the year it is made.

6. COMMITMENTS

The Fund is committed under a lease for office premises to the following minimum lease payments.

	(in thousands) $
1990	1,344
1991	1,344
1992	1,344
1993	1,791
1994	1,791
1995 to 1997	5,372
	12,986

TEACHERS' SUPERANNUATION FUND

for the year ended December 31, 1989

To the Members of the Ontario Teachers' Pension Plan Board
and to the Minister of Education.

I have examined the statements of net assets available for benefits and long term investments of the Teachers' Superannuation Fund as at December 31, 1989, and the statements of changes in net assets available for benefits and administration expenditures for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the net assets available for benefits and long term investments of the Fund as at December 31, 1989 and the changes in net assets available for benefits and administration expenditures for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J.F. Otterman

Toronto, Ontario,
March 2, 1990.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

TORONTO AREA TRANSIT OPERATING AUTHORITY

BALANCE SHEET AS AT MARCH 31
(in thousands of dollars)

ASSETS

	1990	1989
CURRENT ASSETS		
Cash	$14,319	$ 100
Accounts receivable	7,171	3,302
Deposit with Canadian National Railway Company	11,912	12,300
Due from the Province of Ontario	28,759	39,483
Spare parts and supplies	1,422	1,690
Prepaid expenses	819	784
	64,402	57,659
OTHER ASSETS (note 2)	1,598	707
FIXED ASSETS		
Land	27,778	27,772
Buildings and equipment (note 3)	393,867	253,900
Leasehold improvements net of accumulated amortization of $1,339 (1989 - $988)	6,267	5,952
Improvements to railway right of way and railway plant, net of accumulated amortization of $60,586 (1989 - $50,168)	148,345	159,794
Trackwork and Installation net of accumulated amortization of $1,872 (1989 - $Nil)	38,247	37,023
Construction in progress		
GO Train Service Expansion Program	58,942	85,986
Other	98,150	49,502
	771,596	619,929
	837,596	678,295

LIABILITIES

	1990	1989
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	60,784	54,189
Unearned revenue in respect of tickets sold and not used	1,132	1,346
	61,916	55,535
CONTINGENCY (note 3) AND COMMITMENTS (note 7)		

EQUITY

	1990	1989
PROVINCE OF ONTARIO	775,680	622,760
	837,596	678,295

SIGNED ON BEHALF OF THE MEMBERS

Chairman

Member

TORONTO AREA TRANSIT OPERATING AUTHORITY

STATEMENT OF EQUITY

FOR THE YEAR ENDED MARCH 31
(In thousands of dollars)

	1990	1989
EQUITY - BEGINNING OF YEAR	$622,760	$472,391
Capital contribution from the Province of Ontario	190,887	170,123
	813,647	642,514
Amortization of capital contributions	(37,967)	(19,754)
EQUITY - END OF YEAR	775,680	622,760

TORONTO AREA TRANSIT OPERATING AUTHORITY

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31
(In thousands of dollars)

	1990	1989
REVENUE		
Commuter services	$ 86,510	$ 71,682
Sundry revenue (note 5)	3,336	2,628
Gain on sale of fixed assets	2,339	2,872
	92,185	77,182
EXPENSES (note 6)		
Train and bus operations	107,537	85,726
Terminals and plant	45,065	34,693
General and administration	26,456	22,408
	179,058	142,827
LOSS FROM OPERATIONS	86,873	65,645
Operating subsidy from the Province of Ontario including amortization of capital contributions of $37,967 (1989 - $19,754)	86,873	65,645
NET INCOME FOR THE YEAR	-	-

TORONTO AREA TRANSIT OPERATING AUTHORITY

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31
(In thousands of dollars)

	1990	1989
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Revenue	$ 92,185	$ 77,182
Expenses	(179,058)	(142,827)
Non-cash items -		
Depreciation and amortization	37,967	19,754
Gain on sale of fixed assets	(2,339)	(2,872)
	(51,245)	(48,763)
NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS	13,857	6,415
	(37,388)	(42,348)
CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES		
Fixed assets additions	(190,887)	(170,123)
Other assets additions	(891)	-
Fixed assets disposals	3,592	2,842
	(188,186)	(167,281)
CASH PROVIDED BY FINANCING ACTIVITIES		
Province of Ontario -		
Operating subsidy	48,906	49,470
Capital contributions	190,887	160,198
	239,793	209,668
NET INCREASE IN CASH	14,219	39
CASH - BEGINNING OF YEAR	100	61
CASH - END OF YEAR	14,319	100

TORONTO AREA TRANSIT OPERATING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1990
(In thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with accounting principles generally accepted in Canada. The significant accounting policies are as follows:

(a) Spare parts and supplies

Spare parts and supplies are valued at the lower of cost and replacement cost.

(b) Fixed assets

Fixed assets are recorded at cost.

The Authority provides for the depreciation and amortization of the various classes of assets over their estimated useful lives on a straight line basis. Depreciation for locomotives and auxiliary power control units is calculated using a straight line rate applied to cost plus an estimation of future overhaul costs.

Buildings and equipment
    Shelters and ticket booths - 5 years
    Other buildings - 20 years
Locomotives and auxiliary power control units - 25 years
Other railway rolling stock - 25 years
Buses - 12 years
Parking lots - 20 years
Sundry - Furniture and fixtures - 12 years
    - Other - 3 - 5 years
Improvements to railway right of way and railway plant - 20 years
Trackwork and installation - 20 years
Leasehold improvements - 20 years

(c) Commuter services revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the balance sheet as current liabilities.

TORONTO AREA TRANSIT OPERATING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1990
(In thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Subsidies

Operating subsidies paid by the Province of Ontario are treated as reductions of operating losses. Gains and losses from the disposition of fixed assets are included in operations. Capital contributions from the Province of Ontario are included in equity and are amortized to income over the useful lives of the related assets.

2. OTHER ASSETS

Included in other assets is a balance of sale of $891 arising from the sale of land surplus to the Authority's needs.

This property was sold in March 1988 but was recorded in the current year due to delay in transferring the original title to the property to the Authority by the Province of Ontario. Interest is being charged at a rate commencing at 0% and increasing at 1% at the end of each five year period until February 28, 2013 when the proceeds become due. Additional interest may be earned based on the net income from the property. Total interest in a single year cannot exceed 10%. The asset is collaterized by a second mortgage on the property.

3. BUILDINGS AND EQUIPMENT

	1990			1989
	Cost	Accumulated depreciation	Net book value	Net book value
Buildings	$ 54,993	$ 17,968	$ 37,025	$ 37,574
Locomotives and auxiliary power control units	76,548	14,959	61,589	14,394
Uni-level coaches	24,896	17,915	6,981	8,214
Other railway rolling stock	302,176	46,966	255,210	164,794
Buses	33,690	17,015	16,675	15,719
Parking lots	14,252	4,094	10,158	7,946
Sundry	13,449	7,220	6,229	5,259
	$520,004	126,137	393,867	253,900

TORONTO AREA TRANSIT OPERATING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1990
(In thousands of dollars)

3. BUILDINGS AND EQUIPMENT (cont'd)

The Authority is actively seeking a purchaser for 99 Uni-Level coach units which are considered to be surplus. The balance recoverable from the disposition may be less than the net book value of $6,981, however, it cannot be determined at this time.

No provision for the loss, if any, related to the potential impairment of the value of the 99 Uni-level coach units has been reflected in the accompanying balance sheet.

4. OPERATING AGREEMENTS

A significant amount of the services provided by the Authority are operated by outside parties using rolling stock owned by the Authority. These services are governed by the agreements with the Canadian National Railway Company and Canadian Pacific Limited.

5. SUNDRY REVENUE

The details of sundry revenue are as follows:

	1990	1989
Interest income	$ 935	$ 446
Rentals - rolling stock	191	206
Rentals - space	854	715
Advertising revenue	263	243
Commissions - ticket sales	674	602
Other	419	416
	3,336	2,628

TORONTO AREA TRANSIT OPERATING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1990
(In thousands of dollars)

6. EXPENSES

Further details of expenses are as follows:

	1990	1989
Salaries, wages and fringe benefits	$ 41,538	$ 33,979
Payments to outside parties for operation of services	50,949	47,759
Fuel and oil	9,546	7,935
Other expenses	28,028	23,075
	130,061	112,748
Leases, rentals and user charges	11,030	10,325
Depreciation and amortization	37,967	19,754
Total expenses	179,058	142,827

Of the total expenses above $130,061 (1989 - $112,748) is recognized as recoverable, in part, from passengers and other sources of revenue. The target amount to be ultimately recovered has been established by the Authority at 65% of the recoverable expenses. In 1990, total revenue amounted to $92,185 (1989 - $77,182) and represents a recovery of 70.9% (1989 - 68.5%) of the recoverable expenses.

7. COMMITMENTS

(a) Purchase of Bi-Level Commuter Rail Cars

The Authority has entered into contracts with the Urban Transportation Development Corporation Inc. for the purchase of bi-level commuter rail cars.

The estimated balance of the purchase price for the 67 cars remaining to be delivered is $78,192.

(b) Purchase of Locomotives

The Authority has entered into contracts with General Motors of Canada Ltd. for the purchase of replacement locomotives.

The estimated balance of the purchase price for the 15 remaining locomotives is $21,957.

TORONTO AREA TRANSIT OPERATING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1990
(In thousands of dollars)

7. COMMITMENTS (cont'd)

(c) Leases

Minimum operating lease payments in each of the next five years and in aggregate are as follows:

1990 - 1991	$ 3,997
1991 - 1992	3,731
1992 - 1993	3,504
1993 - 1994	3,254
1994 - 1995	3,054
Thereafter	12,840
	30,380

In addition to the commitments above, the Authority has entered into an agreement to lease land which expires in 2079. The annual rental under this lease is $153.

8. PENSIONS

The Authority provides pension benefits for substantially all its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Authority's share of contributions to the plan during the year was $2,144 (1989 - $1,409). This amount represents the total obligation of the Authority and is included as an expense in the Statement of Operations.

9. BOARD REMUNERATION

Total remuneration of Members of the Board of Directors was approximately forty eight thousand dollars during the fiscal year.

TORONTO AREA TRANSIT OPERATING AUTHORITY

AUDITORS' REPORT

To the Members of the Toronto Area Transit Operating Authority and to
the Minister of Transportation.

I have examined the balance sheet of the Toronto Area Transit Operating Authority as at March 31, 1990 and the statements of equity, operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

D.F. Archer

Toronto, Ontario,
June 8, 1990

D.F. Archer, F.C.A.,
Provincial Auditor.

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1989
(In thousands of dollars)

ASSETS

	1989 $	1988 $
CASH	16,354	-
ACCOUNTS RECEIVABLE (Includes unbilled revenue of $10,284; 1988 - $28,487)	23,463	46,020
DUE FROM SHAREHOLDER - PROVINCE OF ONTARIO	150	150
DEFERRED AND RECOVERABLE CONTRACT COSTS (note 6)	5,792	9,269
DEBENTURE (note 3)	20,000	20,000
	65,759	75,439

LIABILITIES

	1989 $	1988 $
BANK INDEBTEDNESS	-	178
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	7,459	16,876
PROVISION FOR CONTRACT COSTS	27,685	24,597
DEFERRED REVENUE	-	5,485
DUE TO AFFILIATED COMPANY	10,291	31,860
	45,435	78,996

CONTINGENCIES (note 6)

SHAREHOLDER'S EQUITY

	1989 $	1988 $
CAPITAL STOCK (notes 4 and 7)	275,691	245,691
DEFICIT	255,367	249,248
	20,324	(3,557)
	65,759	75,439

SIGNED ON BEHALF OF THE BOARD

Director

Director

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1989
(In thousands of dollars)

	1989 $	1988 $
REVENUE		
Contract	25,935	62,388
Interest (note 3 (b))	256	1,227
	26,191	63,615
EXPENSES		
Contract, including provision for future costs of contract completion	31,326	75,088
Operating and administrative	864	2,080
	32,190	77,168
	5,999	13,553
OTHER (INCOME) EXPENSES		
Foreign exchange (gain) loss (note 2 (b))	120	(5,000)
LOSS FOR THE YEAR	6,119	8,553
DEFICIT - BEGINNING OF YEAR	249,248	240,695
DEFICIT - END OF YEAR	255,367	249,248

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1989
(In thousands of dollars)

	1989 $	1988 $
OPERATING ACTIVITIES		
Loss for the year	(6,119)	(8,553)
Items not representing an outlay (receipt) of funds -		
Net increase (decrease) in provision for contract costs	1,988	(58,045)
	(4,131)	(66,598)
Net (decrease) in deferred revenue	(5,485)	(34,410)
Net decrease in deferred contract costs	3,477	43,053
Net change in other assets and liabilities	(7,329)	39,386
	(13,468)	(18,569)
FINANCING ACTIVITIES		
Issue of preference shares	30,000	20,000
INCREASE IN CASH	16,532	1,431
(BANK INDEBTEDNESS) - BEGINNING OF YEAR	(178)	(1,609)
CASH (BANK INDEBTEDNESS) - END OF YEAR	16,354	(178)

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1989

1. CESSATION OF OPERATIONS

Effective July 1, 1986, the Corporation sold its fixed assets, technology, inventory and other assets and contracts to Lavalin Enterprises Inc. ("Lavalin"). Lavalin purchased the assets through a new company, UTDC Inc. Under the terms of the sale, the Corporation retained its existing major contracts ("retained contracts") (see note 5). The Corporation is responsible for the completion of the retained contracts and for all warranty and performance related matters. As part of the sale agreement, the Corporation entered into an Agency Agreement whereby UTDC Inc. agreed to complete all retained contracts on behalf of the Corporation. Future revenues were insufficient to offset the expenses required to complete the Corporation's contracts. As a result provisions for the estimated costs to complete all contracts and to wind up the Corporation's business activities have been accrued. Such costs include estimated contract losses, warranty provisions, management fees, overhead and all operating costs to completion of warranty obligations.

2. ACCOUNTING POLICIES

The consolidated financial statements of the Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada. The significant accounting policies are summarized below:

(a) Accounting for long-term contracts

Revenues and expenditures under cost reimbursable contracts are recorded as costs are incurred and fees are earned. Revenues and expenditures on long-term fixed price contracts are recorded on a percentage of completion basis, measured by costs incurred. Provisions for losses on contracts are recorded when they become known.

(b) Translation of foreign currencies

The Corporation's operations include certain contracts which were negotiated and are accounted for in U.S. dollars. The asset and liability accounts related to these contracts are translated to Canadian dollars at the rate of exchange at the balance sheet date. Revenue and expenses are translated at the weighted average rate for the year. The Corporation also assumed the current and future gains or losses on the US bank indebtedness of The Ontario Transportation Development Corporation ("OTDC"), an affiliated company.

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1989

3. DEBENTURE

The following is a summary of the significant terms and conditions of the debenture:

(a) the principal amount of the $20 million debenture will be payable on August 31, 1996;

(b) interest is payable by December 31 of each year based on 25% of the cumulative pre-tax profits of UTDC Inc. to August 31 of such year less the interest paid or payable prior to such date. The Corporation has agreed to indemnify UTDC Inc. for any incremental income taxes which result from interest on the debenture not being deductible for income tax purposes. Interest expense on the debenture during the year ended December 31, 1989 was $107,000 which has been offset against interest income.

(c) the redemption of the debenture and the payment of interest is guaranteed by Lavalin Ltee. in the event of default by UTDC Inc. The debenture will provide for mandatory principal prepayments between 1990 and 1996 in the event that interest payments do not reach stipulated levels.

4. CAPITAL STOCK

	(In thousands of dollars) $
Authorized -	
20,000,000 common shares	
Unlimited non-voting, redeemable, retractable Class A preferred shares	
Issued -	
14,240,008 common shares	35,691
2,400,000 Class A preferred shares	240,000
	275,691

Issuance

During the year the Corporation issued to The Ontario Transportation Development Corporation, 300,000 Class A preferred shares for $30 million.

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1989

5. COMMITMENTS

(a) The Corporation has entered into various long-term sales contracts for the implementation of transit systems and support activities and/or the manufacture and supply of transit vehicles.

i) Intermediate Capacity Transit System (ICTS) contracts

- Vancouver ICTS - contract with BC Transit to implement a 21.4 kilometre ICTS and supply 114 vehicles. The system commenced revenue service in 1986. All matters regarding the Vancouver project have been resolved during the year and the project is now closed.

- Detroit ICTS - contract with the Detroit Transportation Corporation to implement a 4.7 kilometre ICTS and supply 12 vehicles. The system commenced revenue service in 1987.

- Scarborough ICTS - contract with the Toronto Transit Commission (TTC) to supply 28 vehicles and related system support activities. The system commenced revenue service in 1985.

The Corporation is currently involved in various field service and vehicle retrofit activities on ICTS contracts.

ii) Streetcar contracts

- Santa Clara Articulated Light Rail Vehicle (ALRV) - contract with the Santa Clara County Transit District to supply 50 ALRV's. The system commenced revenue service in 1987. All matters regarding the contract have been resolved as of February 13, 1990 and the project is now closed.

- TTC ALRV - contract with the TTC to supply 52 ALRV's with completion expected in 1990. Initial vehicles entered revenue service in 1987. The Corporation is currently involved in various field service and vehicle retrofit activities.

iii) Subway contracts

- TTC subway cars - contract with the TTC to supply 126 subway cars with completion expected in 1990. Initial vehicles entered revenue service in 1987. The Corporation is currently involved in various field service and vehicle retrofit activities.

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1989

5. COMMITMENTS (cont'd)

- Boston subway cars - contract with the Massachusetts Bay Transportation Authority to supply 58 subway cars with completion expected in 1990. Initial vehicles entered revenue service in 1987. The Corporation is currently involved in various field service and vehicle retrofit activities.

The Province of Ontario currently has in place indemnities and bond guarantees with respect to the Corporation's contractual obligations in the aggregate amount of $141 million.

(b) The Corporation is committed under various purchase contracts with suppliers and sub-contractors relating to the sales contracts.

(c) The Corporation's shareholder has undertaken with the Detroit Transportation Corporation that the Corporation will maintain a minimum net worth of $25 million until the completion of the Detroit ICTS contract (see note 7).

6. CONTINGENCIES

On the Detroit ICTS System Contract, problems were encountered relating to inadequate concrete beam cover in respect of the guideway system. These defects have been repaired. While the Corporation believes it will recover a significant portion of the costs associated with this problem from insurers or subcontractors, the amount of the eventual recovery cannot be determined at the present time. The matter is currently under arbitration. Management and legal counsel consider that the Corporation's claim has substantial merit.

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1989

6. CONTINGENCIES (cont'd)

The Corporation has experienced delays in delivery schedules and/or technical problems on all contracts and these factors could result in additional costs. All contracts which remain outstanding have had provisions established to cover the warranty on both the vehicles and the systems. The contract warranties cover periods ranging from 1 to 5 years. There are also claims and counter-claims with certain suppliers under the Corporation's contracts.

Provisions have been made in the financial statements for the estimated costs to remedy problems, disputes, warranties, claims and for estimated recoveries where appropriate.

Any further losses incurred in respect of the matters referred to in this note will be accounted for in the financial statements in the year in which they are determined.

7. SUBSEQUENT EVENT

Subsequent to its fiscal year end, the Corporation issued to OTDC, 50,000 Class A preferred shares for $5 million. If this transaction had occurred at December 31, 1989, the net worth of the Corporation would have been approximately $25.3 million.

AUDITORS' REPORT TO THE SHAREHOLDER

We have examined the consolidated balance sheet of Urban Transportation Development Corporation Ltd. as at December 31, 1989 and the consolidated statements of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

May 11, 1990

WORKERS' COMPENSATION BOARD

Balance Sheet
December 31, 1989

	1989 ($ 000's)	1988 ($ 000's)
ASSETS		
Cash	446,015	223,725
Investments (Note 3)	4,621,063	3,909,313
Other Assets (Note 4)	542,479	479,813
Fixed Assets (Note 5)	40,866	27,778
	5,650,423	4,640,629
LIABILITIES		
Accounts payable and accrued charges (Note 8)	294,557	291,486
Current portion of future payments to Schedule 1 claimants for past claims (Note 6)	1,370,000	1,187,000
Capital lease obligations (Note 14)	8,962	5,011
Net deposits (Note 7)	36,158	30,956
	1,709,677	1,514,453
Estimated present value of future payments to Schedule 1 claimants excluding current portion (Note 6)	12,410,000	10,476,000
	14,119,677	11,990,453
Unfunded Liability (Note 15)	(8,469,254)	(7,349,824)
	5,650,423	4,640,629

On behalf of the Board:

Robert G. Elgie

Robert G. Elgie
Director

Alan D. Wolfson
Director

To the Workers' Compensation Board and
to the Minister of Labour:

I have examined the balance sheet of the Workers' Compensation Board as at December 31, 1989 and the statements of income and expenses and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, Ontario,
May 1, 1990.

WORKERS' COMPENSATION BOARD

Consulting Actuary's Report on the Valuation of the Actuarial Liabilities of the Schedule 1 Accident Fund of the Workers' Compensation Board of Ontario as at December 31, 1989

The estimated present value of future compensation, rehabilitation and pension payments and health care expenses under Schedule 1 on account of accidents that occurred on or before December 31, 1989 in the amount of $13.78 billion has been determined by the Board's Staff Actuaries, after consultation with us. We believe that the assumptions made in this valuation are appropriate and that the methods employed are in accordance with sound actuarial principles. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient for the purposes of the valuation and consistent with the Board's financial statements. As in previous valuations, the present value does not include provision for future claims related to industrial disease or for future expenses of administration.

The present value reported above includes an amount of $630 million with respect to benefits under the transitional provisions of Bill 162 which provide for supplemental pensions to certain disabled workers who would not have been eligible for supplemental pensions prior to the enactment of Bill 162. In determining this amount, use was made of management's estimates of the portion of such supplemental pensions which will be continued following the reviews 24 months and 60 months after the pension is granted and of the portion of disabled workers over age 55 who will be employed. We believe management's estimates in this regard to be reasonable.

The present value reported above makes provision for estimated payments in all future years arising from accidents that occurred on or before December 31, 1989. The portion of such payments expected to be made in 1990 is approximately $1.37 billion. This amount was determined on the basis of the long-term assumptions appropriate for the determination of the present value. It does not represent a forecast of actual 1990 benefit payments, which will be influenced by short-term factors.

The valuation was based on the provisions of the Workers' Compensation Act in effect as of January 1, 1990. Full provision has been made for potential future increases in the covered earnings ceiling and in the level of pensions and temporary compensation as provided under the Act by using a net investment return assumption of 3% per annum, on the assumption that investment income in excess of that rate will be required to finance increases in benefits related to inflation.

Except as otherwise noted above, the methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. A complete description of the methods and assumptions employed in the valuation will be provided in our detailed report to the Board on the valuation.

In our opinion, which includes the foregoing comments, the amount of $13.78 billion as at December 31, 1989 makes reasonable provision for future compensation, rehabilitation and pension payments and health care expenses under Schedule 1 on account of accidents that occurred on or before December 31, 1989.

Samuel Eckler, F.S.A., F.C.I.A.

David A. Short, F.S.A., F.C.I.A.

Actuaries with the firm of
Eckler Partners Ltd.

May 1, 1990.

WORKERS' COMPENSATION BOARD

Statement of Income and Expenses
Year ended December 31, 1989

	1989			1988
	Self Insured	Insured Through Collective Liability	Total	Total
	($ 000's)	($ 000's)	($ 000's)	($ 000's)
INCOME				
Assessment (Note 9)	194,530	2,483,387	2,677,917	2,377,262
Investment (Note 11)	326	408,905	409,231	316,014
	194,856	2,892,292	3,087,148	2,693,276
EXPENSES				
Awards				
— Benefits paid (Note 10)	169,202	1,612,528	1,781,730	1,624,467
— Provision for increase in estimated present value of future payments to existing Schedule 1 claimants (Note 6)				
— normal		1,177,000	1,177,000	1,289,000
— special (Bill 162)		630,000	630,000	
— unusual		310,000	310,000	154,000
— Total value of claims/awards	169,202	3,729,528	3,898,730	3,067,467
Administrative and other expenses (Note 12)	25,654	282,194	307,848	284,975
	194,856	4,011,722	4,206,578	3,352,442
Excess of expenses over income		(1,119,430)	(1,119,430)	(659,166)
Unfunded liability, beginning of year		(7,349,824)	(7,349,824)	(6,690,658)
Unfunded liability, end of year		(8,469,254)	(8,469,254)	(7,349,824)

WORKERS' COMPENSATION BOARD

Statement of Changes in Financial Position
Year ended December 31, 1989

	1989 ($ 000's)	1988 ($ 000's)
CASH PROVIDED BY OPERATIONS		
Excess of expenses over income, after increase in actuarial provision	(1,119,430)	(659,166)
Items not requiring an outlay of cash:		
Amortization of realized and unrealized losses (gains) on investments	(9,352)	15,351
Amortization of discounts on investments	(115,948)	(83,279)
Depreciation and amortization of fixed assets	8,951	5,618
Provision for increase in estimated present value of future payments to Schedule 1 claimants	2,117,000	1,443,000
Increase in other assets	(63,879)	(85,587)
Increase in other short-term liabilities	12,224	28,394
NET POSITIVE CASH FLOW	829,566	664,331
INVESTMENT ACTIVITIES		
Purchases of long-term investments	1,641,688	1,673,523
Proceeds on sale or maturity of long-term investments	(1,060,270)	(455,378)
	581,418	1,218,145
Net (Decrease) Increase in short-term investments	221,609	(555,751)
Net cash invested	803,027	662,394
Purchase of fixed assets	22,039	2,767
	825,066	665,161
OVERALL INCREASE (DECREASE) IN CASH DURING THE YEAR	4,500	(830)
CHANGE IN SHORT-TERM INVESTMENTS HELD TO FINANCE OPERATIONS	217,790	(140,000)
Cash balance beginning of year	223,725	364,555
Cash balance end of year*	446,015	223,725
*MADE UP OF:		
Cash at bank	8,225	3,725
Money market instruments	437,790	220,000
	446,015	223,725

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements
December 31, 1989

1. NATURE OF OPERATIONS

The Workers' Compensation Board is a Crown Agency, which operates by virtue of a statute passed in 1914 and amendments thereafter.

The Board differentiates employers into two groups — referred to as Schedules 1 and 2 by the *Act*:

Schedule 1 relates to industries where the employers are required to contribute to the Workers' Compensation Board's Accident Fund, and Schedule 2 relates to self-insurers — that is, industries where employers are individually liable for the costs of compensation, health care, rehabilitative costs and pensions paid to their workforce, all of which is done for them by the Workers' Compensation Board, which is then reimbursed for these costs.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
The financial statements have been prepared in accordance with generally accepted accounting principles.

Investments

i) Bonds and Mortgages

Bonds and mortgages are carried at amortized cost. In the case of mortgages, amortized cost is adjusted for principal repayments.

Realized gains (losses) on the sale of bonds and mortgages are deferred and amortized over the lesser of 20 years or the period to maturity of the security sold.

ii) Stocks

Investments in stocks are carried at cost with an adjustment for market value. The market value adjustment is based on the moving average market method, where realized gains (losses) on the sale of stocks are deferred and amortized over a seven-year period. Unrealized gains (losses) in market value are taken into income and included in the value of the asset on the moving average market basis over a seven-year period.

iii) Real Estate

Real estate (units in real estate syndicates) is carried at cost with an adjustment towards market value, based on the moving average market method.

Both realized and unrealized gains and losses are deferred and amortized over a ten-year period.

iv) Short-Term Securities

These are money market securities which have a maturity of less than 12 months at time of purchase, and are carried at amortized cost.

Gains and losses from sales are taken into income in the period that they occur.

v) Foreign Currency Translation

Foreign currency investment transactions are translated into Canadian dollars using the exchange rate in effect at the time of the transaction. For valuation purposes, foreign investments are converted to Canadian dollars at the exchange rate in effect at the balance sheet date. Foreign exchange gains and losses on long-term investments are amortized and reflected in their carrying value over a seven-year period.

Fixed assets
Fixed assets are stated at cost. Buildings, equipment, leasehold improvements and motor vehicles are depreciated on the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives.

Assessment income
Assessment income is determined on the basis of estimated and actual payrolls reported by employers. At year end, an accrual is calculated to include the additional assessment anticipated as a result of the actual payrolls being greater than estimated.

Leases
Leases are classified as either capital or operating. Capital leases are those which transfer substantially all of the benefits and risks of the ownership of property, and are recorded as the acquisition of an asset and the incurrence of an obligation. The asset is amortized over its useful life and the obligation is liquidated over the lease term. Other leases are operating leases and the related rental costs are charged to expense as incurred.

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Continued
December 31, 1989

3. INVESTMENTS

	1989		1988	
	Carrying Value	Market Value	Carrying Value	Market Value
	($ 000's)	($ 000's)	($ 000's)	($ 000's)
Fixed Income Securities				
Bonds				
— Government	339,548	347,592	429,960	432,015
— Corporate	1,156,628	1,173,686	1,071,441	1,060,209
Coupons	875,035	935,951	730,430	706,895
Real Estate				
— Debentures	171,728	187,323	84,505	89,598
Mortgages	472,296	472,296	474,014	458,540
	3,015,235	3,116,848	2,790,350	2,747,257
Equities				
Common and Preferred Shares				
Domestic	879,929	973,215	508,295	527,161
Foreign — U.S.	120,385	134,132	70,031	66,471
— Global	414,312	395,795		
Real Estate — Equities	17,383	17,647	10,963	10,963
	1,432,009	1,520,789	589,289	604,595
Short-Term				
Money market	125,944	125,944	483,012	482,599
Accrued investment income	47,875	47,875	46,662	46,662
	4,621,063	4,811,456	3,909,313	3,881,113

Note: *As of December 31, 1989 the Board had entered into a commitment to acquire a syndicated real estate investment portfolio for $95.6 million. This acquisition was substantially completed in January 1990. The financial statements at December 31, 1989 do not reflect this commitment.*

The W.C.B. engages in a securities lending program whereby investments of the Fund are loaned to approved borrowers, for a fee, against high quality collateral. At December 31, 1989 the total market value of securities on loan amounted to $207 million.

4. OTHER ASSETS

	1989 ($ 000's)	1988 ($ 000's)
Assessment and penalty receivables	504,621	456,096
Other receivables	14,042	9,379
Prepaid employee pension expense	19,676	12,083
Prepaid expenses	4,140	2,255
	542,479	479,813

5. FIXED ASSETS

	Cost	Accumulated Depreciation	Net Book Value	Depreciation and Amortization Rates
	($ 000's)	($ 000's)	($ 000's)	%
Land	6,754		6,754	
Buildings	11,206	7,526	3,680	2½
Leasehold improvements	5,747	4,122	1,625	10
Equipment*	55,141	27,218	27,923	20
Motor vehicles	2,048	1,164	884	25
	80,896	40,030	40,866	

*Includes capital leases, (cost $17,164), which are depreciated over the useful life of the asset.

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Continued
December 31, 1989

6. ESTIMATED PRESENT VALUE OF FUTURE PAYMENTS TO SCHEDULE 1 CLAIMANTS

a) The estimated present value of future payments to Schedule 1 claimants ($13.78 billion) is determined annually by the Board's Actuary and is reviewed by an independent consulting actuary.

This amount includes provisions for claims reported to the Board up to and including December 31, 1989, and claims for accidents which occurred on or before December 31, 1989 but which have not been reported at that date.

As in previous years, provision has not been made for future administration costs of existing claims, or for the cost of future claims for occupational/industrial diseases arising in whole or in part from employment prior to December 31, 1989, as there is no reasonable way to estimate this.

The current portion (payments expected to fall due within the next 12 months — $1.37 billion) is shown separately on the Balance Sheet (1988 — $1.187 billion).

b) The special provision of $630 million relates to the transitional provisions of Bill 162, which came into effect July 26, 1989. Bill 162 expanded the supplements available to permanently disabled workers who are or will be suffering a loss of wages in excess of their permanent disability pension. Bill 162 also provides that impaired workers who are likely to benefit from a vocational rehabilitation program may be eligible to receive a supplement to their permanent partial disability pension while participating in such a program. The assumption that the future permanent Old Age Security (OAS) supplement payments that would not have been made prior to Bill 162 consists of:

- All OAS supplement payments made while the worker is under the age of 55, plus
- All OAS supplement payments made while the worker is aged 55 or above and is working.

No allowance has been made for the non-transitional provisions of Bill 162 as they only apply to injuries occurring on or after January 2, 1990.

c) The unusual provision of $310 million is to provide for a previously unanticipated significant increase in the now-expected number of older workers who cannot return to work and are expected to receive a permanent supplement under Section 135(4).

d) The one-time impact of the special provision recorded in 1988 — amounting to $154 million — related to the special costs of workers requiring rehabilitation, and who were injured in 1988 or in prior years. No such rehabilitation provision had previously been included in the Board's total liability.

e) These financial statements do **not** include any estimate for the future payments to existing Schedule 2 claimants as this is **not** a liability of the Board: it is a liability of the Schedule 2 employers (Note 7). The same applies to federal employees covered under a separate agreement with Labour Canada.

7. SELF-INSURERS

The Board adjudicates claims and pays benefits for Schedule 2 workers in the same way as for Schedule 1, and then charges these costs to the self-insured employers, plus an administration fee for doing so. Schedule 2 consists mainly of employers in the Ontario public sector such as the province, municipalities, public libraries and school boards, but also employers in industries which cross provincial borders, such as railways, shipping, international airlines and telephone companies.

In addition, some of the self-insured employers are required to contribute to a special fund to relieve out-of-the-ordinary expenses (e.g. disaster relief) for their group. The Board requires that security deposits be placed with it by these employers. The deposits received from self-insured employers are invested and interest is paid on the deposit at a previously determined rate.

Although not legally covered by either Schedule 1 or 2 of the *Workers' Compensation Act* certain Federal Government employees in Ontario are, by separate agreement with Labour Canada, covered by the Federal Government as a "self-insurer" and the Board, therefore, treats them administratively as if they were a Schedule 2 employer.

At December 31, 1989, the balance sheet includes the following related to self-insured employers:*

	1989 ($ 000's)	1988 ($ 000's)
Held for them:		
Cash		1,475
Investments (Market value at December 31, 1989: $19,289)	18,439	20,152
Due from them:		
Receivables	17,719	9,329
	36,158	30,956

*Including approximately $1,300 held for various branches of the Federal Government (1988-$1,300).

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Continued
December 31, 1989

Self-insured employers are individually liable for all current and future claim costs. The Board does not make provision for the future liabilities of any self-insured employers or the Federal Government, for current and past claims, nor does it recognize the future benefits which it will pay as these will be reimbursed in full (plus a fee to cover its administrative and other costs).

8. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	1989 ($ 000's)	1988 ($ 000's)
Accounts payable and accrued charges	84,986	85,163
Accrued sick leave and vacation credits	37,575	32,990
Cheques issued and not yet cashed	43,696	40,794
Refunds due to employers under experience rating adjustments	128,300	132,539
	294,557	291,486

9. ASSESSMENT INCOME

	1989			1988
	Self Insured	Insured Through Collective Liability	Total	Total
	($ 000's)	($ 000's)	($ 000's)	($ 000's)
Assessment income	194,740	2,525,079	2,719,819	2,453,653
Penalties	78	74,322	74,400	87,767
Bad debts	(288)	(98,556)	(98,844)	(98,679)
Experience rating*		(17,458)	(17,458)	(65,479)
	194,530	2,483,387	2,677,917	2,377,262

*The Workers' Compensation Board has had a form of experience rating since 1953. It offers refunds and surcharges based on injury frequency rates and costs. In 1983, the Board introduced an experience rating system (CAD-7) for the construction industry. A New Experimental Experience Rating Plan (NEER) was introduced in 1984, and is continuing to be refined. Participation in the NEER program is optional for all non-construction rate groups.

Where possible, provisions are established to cover future adjustments arising from current and past years' experience. However, consistent with normal insurance industry practice, it is intended that rebates and surcharges under these programs will generally balance out in the long-term.

10. BENEFITS PAID

	1989			1988
	Self Insured	Insured Through Collective Liability	Total	Total
	($ 000's)	($ 000's)	($ 000's)	($ 000's)
Temporary Compensation	71,638	622,938	694,576	676,695
Health Care	19,301	198,703	218,004	206,802
Rehabilitation	16,365	216,899	233,264	214,914
Worker Pensions*	52,858	505,130	557,988	439,661
Dependency	9,040	72,590	81,630	89,288
	169,202	1,616,260	1,785,462	1,627,360
Less: recovered from third parties		3,732	3,732	2,893
	169,202	1,612,528	1,781,730	1,624,467

*1989 Worker Pensions include Bill 162 supplements paid to disability pension recipients — $14 million (1988 - nil).

The significant increase in worker pensions payments in 1989 arose out of delays in awarding worker permanent disability pensions during 1988, and a change in the dates when regular monthly pension payments were issued in 1989. Had these estimated events not occurred, it is estimated that worker pension payments would have amounted to $522 million in 1989 and $463 million in 1988.

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Continued
December 31, 1989

The benefit categories are defined below:

Temporary Compensation

These benefits are paid to injured workers to compensate them for temporary losses of earnings due to temporary disability arising out of work-related injuries.

Health Care

This category includes payments made to health care professionals, such as physicians and treating agencies, who provide health care treatment to injured workers.

Rehabilitation

These payments include income support payments to workers who are preparing to return to employment, plus payments to agencies for the delivery of vocational and medical rehabilitation services.

Worker Pensions

Pensions are paid to workers who have suffered partial or total permanently disabling injuries.

Dependency

These are payments made to dependents of workers who have died as the result of work-related injuries/diseases.

Recoveries

Claims against third parties responsible for industrial accidents are deducted from paid benefits upon their receipt.

11. INVESTMENT INCOME

	1989			1988
	Self Insured	Insured Through Collective Liability	Total	Total
	($ 000's)	($ 000's)	($ 000's)	($ 000's)
Investment income	2,598	402,981	405,579	334,729
Add/Deduct:				
Amortization of gains and losses (net of foreign exchange gains and losses)				
— Realized	(4)	(8,620)	(8,624)	(3,406)
— Unrealized		17,976	17,976	(11,945)
Administration expenses		(1,448)	(1,448)	(813)
Investment fees		(1,984)	(1,984)	(446)
Interest paid on deposits	(2,268)		(2,268)	(2,105)
	326	408,905	409,231	316,014

12. ADMINISTRATIVE AND OTHER EXPENSES

The total operating expenses for the Worker's Compensation Board were:

	1989			1988
	Self Insured	Insured Through Collective Liability	Total	Total
	($ 000's)	($ 000's)	($ 000's)	($ 000's)
Administration	25,654	208,081	233,735	214,432
Accident prevention		47,657	47,657	43,909
Legislated obligations		26,456	26,456	26,634
	25,654	282,194	307,848	284,975

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Continued
December 31, 1989

These expenses for collective liability insurers are more fully described below:

a) ADMINISTRATION EXPENSES*	1989 ($ 000's)	1988 ($ 000's)
Salaries and employee benefits	175,294	163,066
Travel and vehicle maintenance	4,362	3,668
Supplies and services	7,085	5,685
Equipment costs, including depreciation	18,727	13,447
Occupancy costs	13,775	14,583
Communications and publications	10,978	11,087
Other	6,494	5,135
	236,715	216,671
Less expenses related to:		
Self-insurers	25,654	23,239
Downsview Rehabilitation Centre	1,532	1,426
Investments	1,448	813
	28,634	25,478
Net charge to Statement of Income and Expenses	208,081	191,193

*Includes remuneration and expenses for the Board of Directors $358 in 1989 ($357 in 1988). This excludes legal expenses paid by the WCB on behalf of its external Board members.

b) ACCIDENT PREVENTION EXPENSES	1989 ($ 000's)	1988 ($ 000's)
BY CATEGORY		
Salaries and employee benefits	26,575	24,000
Travel and vehicle maintenance	3,017	3,130
Supplies and services	692	1,110
Equipment costs, including depreciation	1,482	1,279
Occupancy costs	2,634	2,343
Communications and publications	12,128	12,421
Other	1,129	(374)
	47,657	43,909
BY SAFETY ASSOCIATION		
Construction Safety Association of Ontario	10,064	9,229
Electrical Utilities Safety Association of Ontario	2,001	1,893
Forest Products Accident Prevention Association	1,675	1,563
The Farm Safety Association Inc.	1,023	965
Health Care Occupational Health & Safety Association	2,225	1,815
Industrial Accident Prevention Association	16,936	15,853
Mines Accident Prevention Association of Ontario	2,277	2,236
Ontario Pulp & Paper Makers Safety Association	780	732
Transportation Safety Association of Ontario	1,505	1,362
	38,486	35,648
Occupational Health and Safety Education Authority	3,991	3,806
Safety and Educational Grants:		
Tourism Ontario	844	727
Worker's Health and Safety Centre	4,336	3,728
	47,657	43,909

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Continued
December 31, 1989

On January 24, 1989 an *Act to amend the Occupational Health and Safety Act* (Bill 208) was tabled in the Legislature by the Minister of Labour. Among the proposed amendments is the creation of the Workplace Health and Safety Agency, which will oversee the Safety Associations (except the Farm Safety Association Inc.), the Occupational Health and Safety Education Authority and the Workers' Health and Safety Centre of the Ontario Federation of Labour.

The proposed Agency will be funded by the Workers' Compensation Board and the Provincial Treasury. However, at this time, it is not known whether current funding levels will be altered when, and if, the programs are transferred from the Workers' Compensation Board to the new Agency.

c) LEGISLATED OBLIGATIONS

The Workers' Compensation Board is obligated to defray the administrative costs of the Occupational Health and Safety Act for the Government of Ontario. The Board's cost has been accrued based on the calendar year just ended.

	1989 ($ 000's)	1988 ($ 000's)
Occupational Health and Safety Act	8,500	7,724
Industrial Disease Standards Panel	665	604
Mine rescue	1,257	1,304
Workers' Compensation Appeals Tribunal (WCAT)	8,573	9,366
Office of the Worker Adviser	4,944	5,122
Office of the Employer Adviser	1,517	1,508
Northern Chest Clinics	1,000	1,006
	26,456	26,634

Under Section 86 of the *Workers' Compensation Act*, the Board is obligated to pay the administrative costs of the Workers' Compensation Appeals Tribunal, the Offices of the Worker and Employer Adviser, and the Industrial Disease Standards Panel. All of these autonomous bodies are staffed and managed independent of the Workers' Compensation Board.

WCAT heard 1,163 appeals in 1989 (1,093 in 1988).

Mine rescue costs represent the establishment, maintenance and operation of mine rescue stations, under the *Occupational Health and Safety Act*, as set out in Section 1(1)(b) of the *Workers' Compensation Act*.

13. RELATED PARTY TRANSACTIONS

In addition to the legislated obligations referred to above, the financial statements also include amounts resulting from routine operating transactions conducted at prevailing market prices with various Ontario Government-controlled ministries, agencies, and Crown corporations with which the Board might be considered related.

Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

14. COMMITMENTS AND CONTINGENCIES

(a) Leases

At December 31, 1989, the Workers' Compensation Board was committed under non-cancellable leases requiring future minimum payments as follows:

	Office Capital ($ 000's)	Other Space ($ 000's)	Operating ($ 000's)	Total ($ 000's)
1990	6,032	8,391	4,969	19,392
1991	2,965	7,933	3,766	14,664
1992	1,000	7,201	1,871	10,072
1993		6,931	345	7,276
1994		4,378	214	4,592
Beyond 5 years		2,330		2,330
Total minimum payments	9,997	37,164	11,165	58,326
Less: amount representing interest	1,035			
Obligations under capital leases	8,962			

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Continued
December 31, 1989

The Board rents office space and equipment under operating lease arrangements having various expiry dates. Shown above are the aggregate minimum annual rental payments under these arrangements. The "Other" operating leases represent long-term equipment rentals.

(b) Investment Commitments

At December 31, 1989, future investment transactions outstanding amounted to $62 million, primarily consisting of commitments to future mortage advances (1988 — $59 million), for which dates are not generally determined, and are therefore not reflected in these Financial Statements.

(c) Pending Legislation

On December 5, 1989, Bill 68, the Ontario Motorist Protection Plan (no-fault insurance) passed its second reading in the Ontario Legislature.

In the past, injured workers could elect to subrogate their rights of action to the Board, and the Board would then be able to recover damages from third parties. Except in very serious cases, this right of action will no longer exist. As well, injured workers who in the past could elect to take their own actions, thereby waiving their entitlement to workers' compensation benefits, will now receive these benefits.

It is estimated that the effect of these changes will be an increase in benefit costs of approximately $11 million per year.

No provision has been made in these accounts for any impact from Bill 68.

(d) Legal Actions

Asbestosis

In December of 1986 the U.S. Bankruptcy Court approved a plan to establish the Manville Settlement Trust with assets in excess of $2 billion. Claims may be made against the Trust for injuries that workers or others may have suffered due to exposure to Johns-Manville asbestos products.

The Workers' Compensation Board has, for some years, been paying benefits and expenses to workers suffering from asbestos-related diseases. In view of this, the Board, in 1987, took steps to exercise any subrogated rights that it might have in respect of asbestos-related claims filed with the Board since 1975 by Ontario workers or their dependents.

At this time the amount the Board might recover from the Manville Trust cannot be quantified.

Other

The Board is party to various claims and lawsuits which are being contested. In the opinion of management, the outcome of such claims and lawsuits will not have a material adverse effect on the Board.

15. UNFUNDED LIABILITY

The Workers' Compensation Board has implemented a strategy to eliminate this liability by the year 2014. Schedule 1 assessment rates include an unfunded liability surcharge, which is modified each year according to the size of the unfunded liability.

16. EMPLOYEE BENEFITS

Included in salaries and benefits is $16.7 million for employee benefits (1988: $22.2 million). Additional details follow:

a) Superannuation

The Board has a defined benefit-based pension plan for its employees, and employees of the provincial safety associations, which provides for pensions based on years of service and earnings rates near retirement. The investment activities and the administrative and accounting matters of the pension plan are administrated by the Board free of charge.

An independent actuarial valuation has determined that the Fund is in a surplus position.

As at December 31, 1989, the plan's funded status was:

	1989 ($ 000's)	1988 ($ 000's)
Pension assets	356,502	307,507
Accrued benefits	259,322	229,892

Current contribution levels by both employer and employees, and current pension entitlements, are under review to ensure compliance with recent pension reform and amendments to the existing plan will likely be implemented during 1990.

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Concluded
December 31, 1989

Net employer's pension expense for 1989 for this defined benefit-based pension plan consists of the following components:

	1989 ($ 000's)	1988 ($ 000's)
Current service cost for current employees	9,706	8,104
Interest added to accrued benefits	16,729	14,807
Interest received on pension fund assets	(21,628)	(19,479)
Amortization of surplus	(4,277)	(3,942)
Net pension expense (income)	530	(510)

b) Other Employee Costs

The Board provides comprehensive health insurance coverage to its permanent full-time and regular part-time staff at an annual cost of $4.7 million (1988: $3.8 million). The benefits include health insurance, dental, long-term disability and life insurance. The Board also provides vacation and sick leave benefits for its employees.

The Board is itself, a self-insured employer for purposes of workers' compensation, and payments related to workplace injuries are expensed as they are incurred.

In 1989 such costs amounted to approximately $716,000 and as at December 31, 1989, the Board's actuaries estimated the net present value of future payments arising from past injuries at approximately $5 million.

c) Retiree Programs

The Board provides retiree programs for its employees, including bi-annual pre-retirement programs for employees approaching retirement age. Retirees' health benefit coverage is provided by the Board, at a cost of $427,416 (1988: $394,579) which includes supplementary health, vision care, dental and life insurance.

Board payments for retiree programs are expensed as costs are incurred, except that in 1988 the Board set aside $8.5 million to fund (pre-pay) a pensioners' life insurance benefit for certain long-term employees to recognize a life insurance retirement benefit committment to this employee group. As at December 31, 1989 the balance in this fund had grown to $9.3 million.

d) Safety Associations

The financial statements and notes exclude all costs related to Safety Association employees. The Safety Associations are separate legal entities and as such are responsible for their individual reporting requirements: the Board funds their operations but is not otherwise responsible for their employees.

17. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to correspond to the current year's presentation.